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starting a home-based business

a manual for success

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Foreword

This publication is part of the Solutions for Small Business series sponsored by Western Economic Diversification and the B.C. Ministry of Small Business, Tourism and Culture.

Both agencies are committed to supporting the needs of small businesses and further information about small business programs and services is available on each agency's web site **www.wd.gc.ca and www.gov.bc.ca/sbtc**.

The Solutions series is also available on both web sites as well as on the web site of Canada-B.C. Business Services **www.sb.gov.bc.ca**. The four publications in the series are:

- Business Planning and Financial Forecasting
- Exploring Business Opportunities: a guide for entrepreneurs
- Resource Guide for British Columbia Businesses: information and guidelines
- Starting Your Home-based Business: a manual for success

Canada-B.C. Business Services is another joint partnership between Western Economic Diversification and the Ministry of Small Business, Tourism and Culture. The program offers specialists who can advise on taxation, statistics and business planning as well as a wide range of business information and interactive business planning tools.

Canada-B.C. Business Services has offices in Vancouver and Victoria as well as outreach centres throughout the province in the offices of Community Futures Development Corporations and Government Agents. For locations, or for more information, check **www.sb.gov.bc.ca**.

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Introduction

The New Reality

Barbara St. Cyer of Kelowna invented a mop which could be used by the physically disabled...

Lynne Werker of Burnaby set up her own consulting business when the firm she used to work for suddenly went bankrupt...

Gordon Currie of Dawson Creek quit the computer training industry and launched an international graphic design business via the Internet...

Delphine Smith of Victoria was so pleased with a massage device she received from a friend that she contacted its Asian manufacturers and became a home-based Canadian distributor...

Donna Gittens of Langley crafted porcelain jewelry as a hobby before she crafted a thriving business selling unique terra cotta gifts and curios...

Leading the pack

"From 1990 to 1998, the total number of small businesses in British Columbia has grown by 65 per cent... Unincorporated self-employed businesses with no paid workers are responsible for almost three-quarters of the growth."

Source: Small Business: A Profile of Small Business Growth and Employment in British Columbia (1999)

No Place Like Home

The time is ripe. If you've ever dreamed of operating a business from home, conditions have never been better for success. The rapid growth of e-commerce means there is a host of expanding business opportunities open to you. Yet, the task of turning your dream into a reality remains as much of a challenge as ever. The fewer barriers to entry only stiffens the competition; so getting off to a solid start is crucial to success. This manual will show you how.

Home-based business continues to be one of the fastest growing forms of entrepreneurship in British Columbia. Census data for 1996 show 155,455 people in British Columbia working from home. This represents almost nine per cent of the provincial workforce. Recent studies suggest that proportion could reach 25 per cent by 2005.

Indeed, every year 15,000 British Columbians launch a new home-business, accounting for more than 50 per cent of all new business start-ups in the province.

This growth has given working from home a new respectability. Municipalities are revising antiquated bylaws, insurance underwriters are devising new forms of coverage, and loans officers are acknowledging the viability of home-business operations. In response, many home entrepreneurs have moved from hiding in basements to hanging out shingles.

Equipped with the latest affordable computer and communications technology, the home has become a practical and attractive workplace. Traditionally, many home-based entrepreneurs were homemakers or workers undergoing a

career transition. Others – retirees, people with disabilities and hobbyists – also discovered employment opportunities in their homes. But the rise of e-commerce has created many new occupations – such as Web page designers, software developers, service technicians, and on-line experts. The ease and availability of mobile telecommunications is also liberating many who were once desk-bound to function anywhere and anytime. Indeed, home-based enterprises are often better positioned than large corporations to respond quickly to changing markets in the information age.

Yet, success is hardly guaranteed. Small business failure continues to occur at alarming rates. Around 50 per cent of start-ups don't last beyond two years of business, and by the ten year mark almost 80 per cent have disappeared. Small businesses suffer a failure rate 14 times as high as larger corporations. Since many home-based businesses don't incorporate or purchase licenses, their failure rate is harder to track, but home-based business associations estimate failure rates of their members at least this high, perhaps even higher.

The home has many drawbacks as a location for business. Despite your best intentions, you'll inevitably have problems separating home life from work life. The temptation to respond to e-mail or phone calls can extend your hours well beyond a sensible day's work. Maintaining adequate space in your home for an expanding operation can be a constant headache. Some home entrepreneurs soon become workaholics, others suffer acute loneliness and isolation. Overcoming these hurdles isn't as easy as you might think.

The purpose of this manual is to guide the efforts of ordinary British Columbians like you who are eager to start a home-based business that will prosper and grow.

Running a successful home-based business doesn't require magical formulas – just a viable idea, common sense, appropriate planning and the dedication to carry out the plan.

This manual is organized into six sections. Each focuses upon helping you answer central questions about the viability of your future business. The contents explain how to find solid answers and make good decisions.

The manual is designed to be a comprehensive resource to assist the launching of any type of home-based enterprise. You may not need to apply all of the information supplied here, but you will need to consider its implications. For example, you probably don't need to incorporate your business at the beginning, but should be aware of the steps needed if you decide on this route later.

Other self-help publications are available in the series called ***Solutions for Small Business:***

- ***Business Planning and Financial Forecasting***
- ***Resource Guide for British Columbia Businesses: Information and Guidelines***
- ***Exploring Business Opportunities: A Guide for Entrepreneurs***

These guides can be obtained from the Canada/British Columbia Business Service Centre and other locations (See Appendix C) and can be downloaded from the Internet at: **www.sbtc.gov.bc.ca/smallbus/publications.**

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There's truly no place like home for launching a business today. If you systematically apply the information and advice contained in this manual and other sources, you'll greatly increase the chances of turning your home-based dream into a solid reality.

Why home-based is growing

Some key factors driving the growth of home-based businesses in Western Canada are:

- **Technology** – increasingly more available, accessible, affordable and usable.
- **Restructuring** – large corporations and government shedding skilled professionals.
- **Lifestyle** – greater focus on home life and being near family or friends.
- **Commute time** – desire to reduce stress and time of travelling to workplace.
- **Service sector** – growth in opportunities that home entrepreneurs can readily exploit.
- **Aging population** – early retirement and longer life span allowing more scope for home entrepreneurship.

Source: ***The New Frontier: Enterprise and E-Business in Western Canada (2000)***

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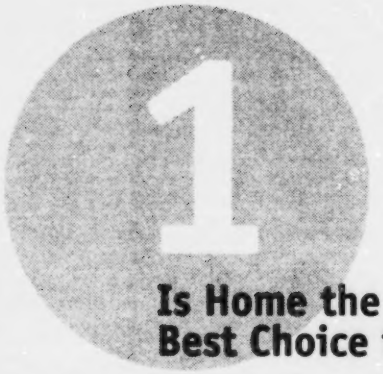

Is Home the Best Choice for You?

Kootenay Valley Soap Company

by Kathy McCauley

"We had soap everywhere!" says Jennifer Adams, remembering how her home-based business started in her kitchen. "On old oven racks hanging from the ceiling, on top of the fridge, the freezer, everywhere! My office was in the middle of the living room. We ate, drank and breathed soap for the whole first year."

The victim of a layoff after six years in the retail health food business, Jennifer discovered the same week she was pregnant. She and her partner decided to move back home to East Kootenay, determined to start a business that would allow her to be home with her baby.

After enrolling in a basic entrepreneurship training program sponsored by Cranbrook Community Futures, Jennifer had clarified her goals. "I'd intended to write a series of booklets on lost pioneer skills but I changed my mind. I discovered there was great interest in natural soap products, so I experimented with manufacturing procedures and recipes. Within a year, I finished my business plan and borrowed seed money."

Sales exceeded $100,000 in the first year and then doubled in the second. Producing 1,600 bars of soap a week, the company was soon shipping to more than 150 retail outlets across Canada. Helped by hired assistants, the family firm employs her mother as full-time office manager and her life partner as sales manager and staff trainer.

While growing a home-based business hasn't been easy, it's brought rewards. "I've never had to work so hard in my life," comments Jennifer. "Time management and stress management are challenges for me, and it takes courage to deal with the financial risk and responsibility of having employees. Finding time for my family is still hard but I have achieved my goal of being home with my daughter."

And the future looks bright. Jennifer foresees breaking into the international market and potential sales of over $1 million annually.

Before you go any Further...

So you want to start a home-based business, eh? Before you go any further, ask yourself why? And then ask what personal qualities and family support you can draw upon to make your dream a reality. Since these questions are so crucial to your chance of success, let's examine them one at a time.

Consider Your Reasons for Being Home-Based

Why Start a Home-based Business?

The home is an excellent place to start a business. Unfortunately, many home businesses struggle to survive. Being clear about your reasons for wanting to be home-based can lessen that struggle greatly and help you make much better business decisions. Success is directly linked to being clear about your motivation.

People have all sorts of good reasons for wanting to work from home. For instance, you may want to:

- Be your own boss
- Make money
- Spend more time in the same place as your family
- Incubate a new business idea
- Expand an existing interest or hobby

People usually have more than one reason for starting a home-based business. What things about becoming a home-based business person appeal to you most? Write them down as a statement of what your goals are.

Assess Your Entrepreneurial Spirit

What Personal Qualities and Traits will Help You?

Are you suited to being an entrepreneur? Do you have the personal skills and qualities that are needed? Did you try to run a business before and fail? Do you even have any previous business experience at all? Do you have the guts to go that extra mile when others would have thrown in the towel?

These are important questions to consider. Success at operating a business depends much upon your faith in yourself – your self-confidence and your determination. A lack of self-esteem will soon affect your motivation, especially if times get tough. This is especially true in the start-up phase when so much sweat equity is invested. It is also true for most home entrepreneurs who lack operating capital and must rely heavily on their own efforts.

But take heart. Experts agree there is no single profile of the successful entrepreneur. The entrepreneurial spirit lives in a variety of different people. Individuals share some personality traits but not others. Strengths in one area can compensate for weaknesses in another. Also, the very traits that make some entrepreneurs successful – such as determination and willingness to work long hours – can also turn into traps. There are extremes for each trait. Having too much of a particular trait can be as much of a problem in a home-based business as not having enough.

Interestingly, the new economy favours a style of entrepreneurship that's well-suited to home entrepreneurs. Technological advancements and global markets have opened up the world of business – giving direct access to customers and suppliers. Customer loyalty is fickle, order processing must be fast, and reputations are easier to lose. In this brave new world, home-based entrepreneurs need to be nimble and innovative. Lacking huge inventory or bureaucracy, they can fill market niches quickly and profitably. Small has become beautiful and style is giving way to substance.

The key is getting to know yourself. You need to ***acknowledge*** your personal assets and liabilities for running a home business. Areas to consider are:

- Your initiative and creativity
- Your willingness to take action
- Your ability to handle stress
- Your previous business experience
- Your problem-solving skills
- Your ability to handle people
- Your willingness to learn from mistakes

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Then you can play to those strengths and overcome weaknesses by seeking help from others – family and friends, business partnerships and alliances, as well as trade associations or local business groups. *(A Directory of Canadian Associations is available at Canada Info:* **www.canadainfo.com/associations.html***)*

Everyone an entrepreneur

Ellie Rubin in ***Bulldog: Spirit of the New Entrepreneur*** *(1999) says:*

Rather than ask, "How can I become an entrepreneur?" ask yourself, "What have I learned? What am I determined to learn? And how can I apply this knowledge to a new situation?"

Active entrepreneuring starts by letting go of our culture's overglamorized version of entrepreneurship... and recognizing that everyone has within them the ability to "en‹repreneur" on some level.

Those who learn how to leverage their talent and accumulated knowledge will be poised for greater success.

There are numerous tests you can take which try to measure your entrepreneurial spirit. Some free ones available on-line are:

Name of test	Supplier	Website address
National Entrepreneurship Test	Profit Magazine	**www.cybf.ca/cybf-cgi-bin/quiz.cgi**
A Self-Evaluation Guide to Starting a Business of Your Own	Manitoba Industry, Trade and Tourism	**strategis.ic.gc.ca/SSG/mi02603e_pr201.sgml**
Am I am Entrepreneur?	Western Economic Diversification	**www.wd.gc.ca/eng/content/advisor/index.html**
Entrepreneur Test	ABCs of Small Business Success (Liraz Information Inc.)	**www.liraz.com/index1.htm**

If you don't yet have access to the Internet, or prefer using paper and pencil, an Entrepreneur Assessment is reproduced in Appendix E.

Before you go any further, take an entrepreneurial test and assess your entrepreneurial spirit. When you are finished, make a list of your strengths – and the areas where you will need help from others.

Then you can play to those strengths and overcome weaknesses by seeking help from others – family and friends, business partnerships and alliances, as well as trade associations or local business groups. *(A Directory of Canadian Associations is available at Canada Info:* **www.canadainfo.com/associations.html***)*

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Am I am Entrepreneur?	Western Economic Diversification	**www.wd.gc.ca/eng/content/advisor/index.html**
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Make an Inventory of Resources Available to You

What Personal Resources Do you Have?

As well as your personal qualities, you should consider the resources you have at hand. Successful business owners depend on other people and draw upon them as resources. Learning to see people and things as resources may require a shift in your perspective.

The resources you already have include everything from your own skills to friends who could help with financing. Home entrepreneurs often overlook many of the personal or professional resources they possess. They ignore the wealth of contacts already in their Rolodex or the value of their current computer skills.

Before you go any further, create an inventory of all the resources currently available to you – resources you believe will give you an advantage to succeed in a home-based business – such as:

- Spare time
- Relevant training
- Previous sales experience
- Many personal contacts
- Support from family and friends
- Start-up cash available
- Partner with secure income
- Income from existing job you may decide to keep during start-up

A previous job resume is a good place to look for some skills, experiences, and assets which could help your business be successful.

Parts of your inventory can be transferred later into your business plan. Business plans will be explained in the next chapter. This will help when seeking start-up financing, as lenders will want to know what resources you already bring to the venture.

Obtain Support from Other Family Members

Will Your Family Help or Hinder You?

When you start a home-based business, everyone living with you is affected. In reality, *you* don't start a home business, your whole household does. How they react to the idea will be very influential. It can make or break the whole enterprise.

Many home-based businesses fail because family members have different ideas about what is important and about what effect the business will have on the family. Discuss these issues openly with the people involved:

- Describe your plans to other family members.
- Find out how your partner and other family members think your plans will affect them.
- Explain what expectations you have of others to help out – such as answering the door, picking up the phone, lending a hand at busy times, or just leaving you alone.
- Discuss other people's expectations of *you* – such as being available for family occasions, giving warning of absences, and cleaning up messes.

Management of the gray area between home business and home life is particularly important for women – they often shoulder the main responsibility for domestic tasks in a family. Women may have to struggle to prevent business time and energy from being drawn off into household work.

Expectations in this area are seldom discussed and often perceived differently by other household members. When you operate from home, other family members may think it reasonable to ask you to do a little extra here or there. These expectations can soon undermine your business success.

Check out family expectations and reactions before going any further.

Make Separate Space Available

Is Separate Space Available?

The need for a designated space for your business, even if space is severely restricted, cannot be emphasized enough. Sometimes this separate space is more symbolic than real – such as a desk in the living room or a workbench in the basement – but having a definite place does make a statement about the seriousness of your undertaking. The larger and more separate the space you can make available, the more functional it will be at dividing your business life from your home life. Over the long haul, this separation will benefit everyone living in the household.

Assess the physical lay-out of your home:

- Where might you be able to conduct business?
- What re-modeling might have to be done?
- What changes would these ideas have on present use of space?
- Estimates you make at this time will be useful for completing parts of your business plan later.

No place like home?

Is your home really the best location for the business you have in mind? Here are some potential advantages and disadvantages of a home base:

Potential advantages

- Low risk of expensive mistakes.
- Opportunity to use household resources. for business use.
- Low overhead, running costs.
- Gradual start-up and growth .
- No commuting time or expense.
- Tax advantages (with deductions allowed for part of the house).
- Relatively inexpensive way to test a market.

Potential disadvantages

- Isolation and lack of contact with colleagues.
- Increased family stress, with the difficulty of operating a business and home together.
- Need for self discipline and the ability to plan and manage one's own time.
- By-laws and regulations affecting what you can and can't do at home.
- Poor image (you may look more home-like than business-like).
- Conflict with neighbours over noise, traffic, and changed use of space.
- Parking problems.

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- Parking problems.

Find Out If You are Permitted to Operate

Are you Permitted to Operate?

In the past decade, most municipalities in British Columbia have become much more tolerant of home-based businesses. However, many would-be entrepreneurs don't realize how restrictive the zoning regulations in some municipalities still are. Many severely limit the size of home-based operations, including the number of employees allowed and the amount of signage displayed.

Contact your local municipality to find out about regulations and restrictions.

Expect to be Busy

Are you Ready for the Changes?

A home-based business can absorb all your time and energy – especially in the start-up phase. There is a major risk that as you devote so much to your business, other parts of your life will be ignored. You may become a workaholic. If managed properly, that same energy can help make a business succeed. Ignored, workaholism, like other addictions, isolates people from family and friends and causes stress. In serious cases, this can lead to family breakdown and business failure.

Try to be realistic. Things invariably take longer than expected. Unforeseen difficulties can become very time-consuming to fix. During start-up, there never seems to be enough time in the day to accomplish everything.

- Expect to be very busy launching your business, so build plenty of reserves into your planning.
- Leave extra space in your schedule to catch up and so avoid becoming overwhelmed.

Make the Right Decision

How honestly have you considered the influence a home-based business will have on different parts of your life – family, social, professional, personal?

Try discussing your situation with a person whose judgement you can trust. For best results, this should be an acquaintance who can be completely objective rather than a family member or close friend.

Ask this person to tell you frankly their opinion about the following:

- Have I carefully assessed my reasons for wanting to be home-based?
- Have I clearly considered what will be needed personally to succeed?
- Have I checked-out the reactions of family members and enlisted support?

Use the feedback you get from this conversation to make possible changes to your business goals. You may conclude that running a business from home isn't realistic at the moment. Perhaps you should delay your start-up until you have fewer responsibilities. Perhaps you should start part-time, living off other regular income.

Remember, starting a home-based business is a *lifestyle choice*, not simply another career option. Where you live is primarily a home, not a place of business. This means the business will constantly have to make adjustments to survive in its home location. Make sure you have also realistically considered, and rejected, the possibility of locating the business elsewhere.

Are you ready to be home-based?

Use these questions to assess whether starting a home-based business is realistic for you at this time:

Legalities

Is your business legal according to the zoning bylaws in your municipality? What legal restrictions may limit you from operating from your home?

Physical space

Do you have enough space? Will you have to remodel your home? What effects will a changed use of space have on your family?

Family support

Will other family members actively help and support you, or leave you alone? Do you know what your family truly thinks about your idea?

Neighbours

How will your neighbours react? Will your home-based business affect them? Could their complaints to city hall close you down?

Work style

Are you a self-starter, motivated and disciplined about working on your own? What social or professional development activities could take the place of the interaction you'll miss from an outside place of work?

Balance

Can you be disciplined about maintaining a balance between home life and work, between your business and your personal life, between your own growth and that of your business?

Asking yourself these questions – and answering them truthfully – isn't easy, but it helps ensure from the beginning that your situation will support your success.

2 What Will You Sell?

Davey Mountainview Guest Ranch

by Olga Hymers

Spring mornings are full of activity at the guest ranch that owners Jennifer and Ron Davey operate near Quesnel. There are horses and cattle to tend to, breakfast to prepare and rooms to make up. The Daveys tackle the work, taking a moment here and there to chat with a guest or explain what they are doing. Guests are welcome to pitch in or just relax and enjoy their vacation.

"For us it's an opportunity," says Jennifer. "We see it as a chance to retire into a lifestyle we both enjoy. And we have the prospect of passing it on to our sons."

The choice of running a quest ranch was a well thought-out one. Background research and investigation took several years. The couple looked into providing a bed and breakfast service, but discarded the idea when they realized provincial laws allow only a maximum of four rooms. They wanted more potential for growth. With 320 acres of cattle country they certainly aren't cramped.

There was also the potential to offer trail riding through the 1,400 acres of crown land that surround their ranch. Their home was large enough, and the idea of providing guests with a full-service adventure holiday started to crystallize. With a capacity of 80 people, a guest ranch suited their philosophy of starting small, yet still allowed room to add cabins, trail rides and adventure horseback trips as their resources and experience grew.

"We're pacing ourselves," says Jennifer. "We're okay with that because all the things we're doing are brand-new experiences for us – and we're in this for enjoyment too. Our business plan is a good guide, and we try to follow it, but I'm amazed at how much the direction of our business is driven by suggestions from our guests."

The days are full and the Daveys spend them doing what they enjoy – sharing their love of rural British Columbia with their guests.

Assessing Your Situation

The backbone of your home-based business will be the products or services that you offer for sale. But where do winning ideas for these come from? How can you tell if you have one? And do you need to prepare a business plan before you start? This section provides some answers and shows how to turn an idea into a business opportunity.

Explore Possible Ideas

Do you Have a Solid Idea for the Business?

Many people hanker after going into business for themselves but lack an idea. If this is true for you, the good news is there are several ways to find an idea for a home-based business. One may be closer to home than you realize!

Know What to Look for

Sources of business ideas are surprisingly plentiful, but they may not be immediately obvious. We've all had the experience of wondering *Why didn't I think of that!* after noticing a new item for sale.

Any search is easier if you know what you are looking for. Not all business ideas are suitable for start-up at home. They may be too expensive to develop, require heavy equipment, need special permits and so on. Other ideas may have poor profit potential or face severe competition.

Generalizing about good business ideas is difficult. Some ideas are simply unique and fly in the face of sensible advice. But, in general, look first at business ideas which have these features:

- **Simple to start** – The business doesn't require so much up-front that you spend long hours learning new procedures, building trade connections, or finding speciality buyers.
- **Low overhead** – Unless you have access to huge wealth, find ideas which don't require hefty capital outlay to buy machinery, customer lists, or distribution rights.
- **Cheap to operate** – Don't ruin the low operating costs of being home-based by choosing an idea that involves hiring lots of extra staff, frequent injections of cash, or long periods of inactivity.
- **Not overdependent** – Be cautious of business ideas that rely on orders from a single big customer or supplies from a single source. If they go out of business, so might you.
- **Internet linkable** – Home-based businesses which harness the power of e-commerce – may ride the wave of the future. Look for ideas which are web-ready or have potential for electronic communication with customers and suppliers.
- **Project potential** – In the new economy, ideas for virtual companies that come together for a single project – as do movie companies – are increasing. These exploit an opportunity and then dissolve. Look for ideas with such potential to be project-based.
- **Easy to manage** – As you become successful, sales will grow. How will you handle increased demand? Can you fill large orders quickly? Can you afford to expand? Avoid ideas that could quickly grow out of your control.

Watch Out for Scams

You'll see advertisements for work-at-home schemes on television, at Web sites, in business publications, and even on matchbook covers. The ads claim you can "Earn $1,000 a week" and offer "Great Start-Up Potential" with "No Experience Necessary". The ads often provide fake testimonials that you cannot verify and use fly-by-night post office boxes as reply addresses. If you answer the ads, you receive demands for money before materials are sent and no analysis of the actual operating costs.

Each year too many people fall prey to scam artists who offer fantastic opportunities for making money. Taken in by innocence, greed or desperation, people can lose their life savings or fall deep into debt. Scams tend to target certain types of people: seniors, people forced into early retirement, and people wanting to earn extra cash.

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Some work-at-home schemes are legitimate businesses but too many are fraudulent or unprofitable. The difficulty is telling them apart. The best advice is *if it looks too good to be true it probably is*. After all, if the idea is so dynamic why are you hearing about it on the back pages of a newspaper? If so much money can be made, why are the owners not doing it all themselves?

Typical schemes to be cautious with are:

- No-money down-real estate
- Envelope stuffing
- Call centre sales
- Vending machines sales
- Assembling crafts and products piecework

Protect yourself by asking for local references from scheme participants who you can go visit to discuss their experience. Also, check out all operations by contacting the Better Business Bureau.

Sad stories

When Alice Brehen was working as the Business From Home advisor on the Prodigy online services, she received a lot of messages from people who had bought into business opportunities. Some people had had great results, but Alice also heard her share of sad stories from people who had invested a lot of money in opportunities that couldn't possibly pay off.

- One woman bought into a mail order business. Not only was there no margin, but the merchandise took so long to get to her that she lost all her sales.
- A man wrote to Alice to say he had sucked his savings account dry trying to make personalized children's books on his computer. He paid a bundle for the business because it was supposed to include support from experts, but every time he called for help, the experts were in a meeting.
- Time and again, Alice heard from people who had assembled crafts at home, only to be told by the company that was supposed to buy the completed crafts back from them that the quality was not up to snuff. These people were stuck because they had already paid for the materials they used to put the crafts together.

Alice warns there are many, many scam artists out there who prey on people's desire to work from home.

Source: Alice Bredin: The Virtual Office Survival Handbook (1996)

Search Yourself for Ideas

Choosing a business is similar to choosing a mate – you will be living with the consequences for a long time. So it's worth selling something you like to people you wish to serve in an industry you want to be associated with.

This means you must look at yourself to figure out what business you should start:

- **Interests and hobbies** – How do you like spending your spare time? What topics do you like reading about? How did you pass the time as a child? What do you wish you'd spent more time doing?
- **Talents and skills** – What activities are you good at doing? What do people rely on you

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to do right? What could you be good at if you only had time for it?

- **Personality traits** – Do you like working with your hands? Or do you prefer talking to people? Does collecting and analyzing information suit you, or creating new ideas and things instead?
- **Knowledge and expertise** – What do you already know much about? What industries are you familiar with? What training have you previously had?

The best business for you will be something you can get passionate about – something that lights a fire under you! Your zeal will give you the energy to overcome obstacles. Your enthusiasm can also be infectious – attracting customers who talk about you to others.

Look Around You for Opportunities

Besides being something that suits you, the idea must also have an opportunity to thrive – just like a seed needs favourable soil in which to grow. Your business idea must fill an unmet need or create a desire that people will pay to satisfy. If not, your idea is stillborn, no matter how much you like it.

Here's some ways to uncover opportunities for ideas to flourish:

Trends and changes

The world is changing fast, existing products and services on the market may not be keeping pace. Look around you at what's changing:

- Shifts in the population and lifespan
- Changes in fashion and new fads
- Advances in technology, medicine and science
- New leisure and recreational pursuits
- Trends in housing and lifestyle
- New ways of producing or serving food
- Changes affecting wellness and the environment

Unfilled niches

Home-based businesses are often well-positioned to fill gaps in the market that are too small for larger companies to bother with. For example, a home-based business producing hand-painted Christmas ornaments may turn out such high-quality products that large volume manufacturers cannot compete, even if using cheap off-shore labour.

Look for unfilled niches in markets where:

- Expertise is in short supply
- Customers value uniqueness and creativity
- Customers want custom-made or personalized items
- The target market is locally small but globally big

Quality improvements

One strategy is to improve the quality or performance of something already being sold. This has the advantage of spring-boarding on the proven success of something and so reduces risk . Many items already on the shelves could be improved, modified, enhanced or simply packaged better.

Train your eye to look at products closely. Look for ways in which a product could be improved by making it:

- Safer to operate
- Lighter to carry

- Cleaner to use
- Quieter to run
- More long-lasting
- Foldable or easier to store
- Cheaper to distribute
- Easier to transport
- More adjustable
- Performance enhanced
- Less expensive to repair
- More convenient to use
- Technology enhanced

Value-added services

The customer is king. Any way you can add value to the customer's experience of dealing with you will help differentiate your business from another one. Home-base businesses can often supply extra value at low cost, simply by being more connected with the needs and preferences of their customers than larger organizations can.

Look for opportunities to add value to the customer's experience:

- Offer satisfaction-guarantees.
- Improve the warranty coverage.
- Add optional accessories.
- Introduce limited time special editions.
- Cross-sell the services of other companies.
- Add a gift-wrapping service.
- Provide child-minding arrangements for clients.

The Internet revolution

Expanding technology is creating many new opportunities for entrepreneurs who are turning their homes into launching pads for high technology ventures. You don't have to be a techi yourself: you can partner with another and complement each other's skills. The e-commerce opportunities available through the Internet are growing exponentially:

- **E-tailing** – Retail operations have moved on-line with a digital front-end. Everything from books and flowers to groceries and clothes is now sold from a Web site.
- **E-commerce** – Businesses selling to other businesses (called B2B) was an early use of the Web. Suppliers, equipment, parts, transportation – it's all only a few clicks away.
- **E-mail** – Ever since Hotmail offered free e-mail accounts, the number of people having their own e-mail addresses has multiplied tremendously. As more people establish their own homepages, identities become virtual.
- **E-cafe** – Web surfing and crawling for information, entertainment or person-to-person contact grows each year. Public access to the web from Internet style cafes has also grown.
- **E-trading** – The middle men are being cut out as supply lines move closer to the end user. Not only can you bypass your stock broker and trade on-line yourself, you can also do this with airline bookings, concert tickets, and classified ads.

How could you use your talents and experiences to create an e-commerce opportunity?

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Search through Sources

You'll find a variety of lists available that name types of business opportunities you could consider for a home-based business: Here are some examples:

Canada/BC Business Service Centre
www.sb.gov.bc.ca/smallbus/workshop
Provides an on-line small business workshop with details of forty business concepts in Session One

Realm Magazine
realm.net/net/5coolbusi/index.html
Provides an article offering 99 business ideas that almost anyone can use.

Canada WorkInfoNet
www.workinfonet.ca
Provides career and labour market information including entrepreneurial advice

Kauffman Centre EntreWorld
www.EntreWorld.org
Provides articles, information and links to other sites

Also check out the business section in your local library or bookstore. Several publishers, such as Self-Counsel Press in Canada or McGraw-Hill in the USA, provide series of business start-up guides, tailored to starting a specific business. Usually, these include sample business plans and complete instructions on how to set-up the business from scratch.

Appendix D also provides a list of some common types of home-based businesses.

Emphasis on quality

Larry Easto, author of *How to Succeed in Your Home Business*, says:

For the most part, the home business environment is free of the factors that make quality service so difficult for large organizations.

I became acutely aware of this after I left the major professional services firm for which I had been working. While with the firm, the decision whether I should accept specific consulting assignments was guided by considerations such as: How important is this client to the firm (or more likely my supervisor and his career plan)? How much revenue is this client likely to contribute this month? This year? and What other business could this client refer to our firm?

Operating my business from my home office, the considerations became: What does this client need, want and expect from me? Do I have the resources to profitably meet these needs and wants? And What is the client willing to pay for this service?

Because corporate agendas and supervisor's career plans no longer exist for home business owners, they cease to be obstacles to quality client services.

Explore Several Ideas

Prospective entrepreneurs often make the mistake of narrowing their choices too quickly, starting the first business that comes to mind.

If you think you already have a good idea for a business, don't rush. Slow down a moment to evaluate the strengths of your idea. Compare it against other ideas.

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Exploring the merits of several ideas helps you to:

- **Avoid blinders** – Entrepreneurs can be so anxious to get started, they miss obvious flaws in their ideas.
- **Have a back-up** – If your first idea fails early, have another waiting to take its place.
- **Make improvements** – Look for ways to improve even good ideas by enhancements or modifications.

Expand your choices and come up with ideas for businesses that you would actually *enjoy* running. Discover business opportunities that would be profitable and personally rewarding. The trick is to match the business to your preferences, rather than vice versa.

Evaluate Your Business Opportunity

Having an idea for a business isn't enough to ensure success. It's simply the first step. No matter how good your business ideas are, they need to be feasible and realistic.

A business opportunity becomes feasible for you when your idea has a chance to succeed as a business. This means you'll need to examine your idea carefully to see how a profitable business can be created out of it. You'll need to examine:

- how best to organize your business
- who the best target market of customers will be
- where to locate supplies
- how much capital investment is needed

Let's see how you can assess the chances of success for your business idea. The process begins with research. Don't get frightened by that word. Doing business research simply involves collecting information about either your idea or your type of business. The information is used to help you see what your chances of success are likely to be and what adjustments to your ideas might be needed.

Make the Task Interesting

A hunt for information can be fun. It doesn't need to be tedious and boring if you involve others to help you. Ask family members if they can help out with some of the tasks:

- Set aside time to search the Internet with a family member.
- Ask friends to come with you to libraries or government offices when you go to collect information.
- Join a local home-based business association and get help from other members who have done business research before. They can show you the ropes, offer tips on where to go and who to contact in your area. They may even have some of the information you are looking for.

If you really hate collecting information and wading through catalogues, you can always hire a researcher to do the work for you. Indeed, local college and university students taking business courses may even be willing to do some of the work as a school project.

Allow for Enough Time

Be warned: lots of time is needed. Researching a business idea will take at least several weeks full-time work, probably close to six months part-time. Depending on the type of business you are investigating and how much you already know, it could take even longer. This

delayed return may make you question whether the time and money you spend on research is necessary. When you are enthusiastic and ready to go with an idea, it can be frustrating to hunt for information that seems irrelevant at first. But it's worth it. With an unprepared start, you won't give yourself or your business idea much chance to succeed. This is not a lesson you want to learn the hard way.

Business Options

Start from Scratch - Advantages

- You begin with your concept of the business. You are not hampered by someone else's problems, image, or outmoded equipment.
- You have the opportunity to pick your location and name, as well as to select new equipment, fixtures and inventory.
- You have the freedom to recruit, hire and train your own staff. You do not inherit problem employees.
- You do not have to pay for someone else's good will or a franchise fee for the name and concepts.
- You have the sense of accomplishment and reward, seeing a vision fulfilled; it's a real challenge to create something from nothing.

Start from Scratch - Disadvantages

- You must create all of the parts from scratch (marketing, accounting, purchasing, merchandising). This frequently involves costly trial and error.
- You must build the business first, to a break-even point, then to a profit level from a dead start. This normally takes considerable time and costs a lot of money.
- The process of getting started – finding a location, designing a layout, selecting fixtures and inventory – is a difficult task, particularly if you are inexperienced.
- Obtaining product lines and establishing suppliers for a new operation is time-consuming and often frustrating.

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Buy a Business - Advantages

- You acquire a loyal customer base and avoid the costly and time consuming effort of building sales volume.
- A highly motivated owner may sell to you at a bargain price.
- You purchase a proven operation – location, sales volume, merchandising, and advertising plan.
- The owner may provide valuable assistance. You might also acquire trained personnel, along with existing lines of credit and established sources of merchandise.
- You may benefit from a very favourable lease, signed some time ago by the present seller.

Buy a Business - Disadvantages

- You may pay too much because of over-eagerness or miscalculation. Or, the seller might even misrepresent certain facts.
- The business may come with ill-will (bad reputation), rather than with good will. This handicap could be difficult and expensive to overcome.
- The location could be marginal or in a declining area.
- Major competition might be entering that marketplace.
- You may inherit obsolete equipment or fixtures, along with outdated merchandise. Essentially, you get stuck with all the existing flaws.

Buy a Franchise -Advantages

- You may reduce your risk of possible failure by using a "tested" business concept.
- You receive training and a blueprint for operating your business. This blueprint can reduce costly trial and error blunders.
- You identify yourself with a recognized name with an already established reputation.
- You have an experienced partner with a vested interest in your success since the reputation of the franchiser also rests on your success.

Buy a Franchise - Disadvantages

- Lack of control and personal imprint. You may feel more like an employee than your own boss. You lose much control, flexibility and creativity. You have to operate by their book.
- Franchising usually involves a substantial start-up fee.
- Franchisors usually charge a continuing royalty fee from two to six per cent of gross sales.
- The franchise contract can be quite restrictive and the franchisor usually has the financial and legal resources to enforce it.
- If they suffer you suffer. If the franchisor has financial difficulties, or goes out of business, it may spell disaster for your venture.

Understand What Information You'll Need

The information you'll need will depend upon the kind of business you intend to operate. Starting-up a trucking company requires quite different data than for a dried-flower craft business. But the types of information are roughly the same for all businesses. They fall into the following four main categories:

- ***Business Concept:*** What will you be selling?
- ***Marketing:*** How will you reach buyers?
- ***Operations:*** How will you run your business?
- ***Finance:*** How much do you need to make a profit?

When collected together into these four categories, the information you obtain becomes a "business plan" for your firm. For easy-reference, the remaining parts of this manual are organized into these same categories.

Keep a Research File

As your research progresses, you'll need ways to record and store information. A good system to use is called a research file, divided into sections. Use the names of the four categories mentioned above as divider labels in your research file.

Your research file can be one of the following or, more likely, a combination of them:

- **Hand held** – Use palm pilots or mobile information storage devices. Use devices which have Internet communication and can easily transfer data. This method is the most convenient and portable.
- **Desktop** – Use database or word-processing software for your personal computer that has a spreadsheet capability. Use voice-activation if your keyboarding speed is slow.
- **Paper-based** – The traditional 3-ring binder is still versatile and functional. A good size to use is a 7" x 11" sized binder with a 1 or 1.5 inch width.

Don't carry around all of your information with you – the risk of losing everything at once is too great. Make back-up copies of information stored in mobile communications devices.

Some information will come in the form of brochures and leaflets which can be hole-punched and placed "as is" into the binder. The same is true for information downloaded to a printer off the Internet or photocopied from books, magazines, directories, etc. Small scraps of paper can be glued onto full-sized pages so they'll fit into your binder easily.

This research file becomes a reference manual about your business and the foundation for the information you'll include in your business plan later.

Find it on the Web

In their book *Small Business Online: A Strategic Guide for Canadian Entrepreneurs* (1998), Jim Carroll and Rick Broadhead show how to navigate the Internet to find a wealth of information on topics such as:

- Market and industry data
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Get Off to a Good Start

A "research source" is a place where you find information. Research sources include people, information offices, Web sites, media programs, publications such as books and magazines, and less obvious ones such as suppliers, customers, and even competitors.

Collect the names of people you speak to so you will have contact information in the same place as other information you get. Keeping track of whom you speak to is an important part of organizing research – and it will greatly enhance the task of putting your business plan together later.

Search the Internet. There's a whole world of information available at your fingertips – although finding information that's relevant and reliable among the chaos can be challenging.

- **Use search engines** – These are sites that help you search by keywords or topics. Some will allow you to select Canadian only information. Some have tools for narrowing the type of search you want. Click on the help icons for assistance.

AltaVista	**www.altavista.com**
Excite	**www.excite.com**
Lycos	**www.lycos.com**
Snap	**www.snap.com**
WebCrawler	**www.webcrawler.com**
Yahoo Canada	**www.ca.yahoo.com**

- **Search directories** – Many sites act as libraries of information that are stored by the host or hotlinked to other sites on the Internet. Often the site provides a series of menus to help you navigate your way around the site, as well as local search capability. Some to try are:

Strategis	**www.strategis.ic.gc.ca**
MediaFinder	**www.mediafinder.com**
Canoe	**www.canoe.ca**
Findit	**www.findit.com**
KnowX	**www.knowx.com**

Visit the library – especially if you don't have Internet access at home yet. The price is right, and the reference librarian may be your most useful, low-cost consultant. Local public, community college and university libraries have many resources including current directories and collections of standard business references, as do local business information centres. If you are uncertain what questions to ask, use the business plan framework (see page 28) and make a "shopping list" of research questions. Ask a librarian to help you find the references that have the information you need.

Use your business network. Make the most of networks you belong to. If you know a lender, or know that your business idea is only possible if you can get financing, consider meeting with a banker to discuss your idea. Your lender may be able to suggest other sources of information, such as similar businesses in another area, or good local suppliers. Your local Chamber of Commerce is a good lead for making contacts and for business seminars and workshops.

Contact business centres – Small business and enterprise development centres may exist in your area of the province. Often they are associated with community colleges. These centres bring together much useful information into one location. There may be a fee charged. Community colleges and School Districts

offer continuing business education through seminars and workshops as well as formal courses. You may also be able to hire a business class or students to do research for you on a much larger scale than you could accomplish yourself.

Many municipalities and regional districts have what is called an economic development office (EDC), sometimes attached to the planning department at City Hall. Economic development officers are able to answer general inquiries and specific questions about your area of interest. They will also be able to tell you about other local business resources and contacts.

Understand The Regulations

Home-based business experts stress early research into licensing and regulations as part of assessing your opportunity. To help you with this research, you can often obtain free publications on licensing and regulations for businesses in British Columbia. These can often be downloaded via the Internet or are available through the Canada/British Columbia Business Service Centre or Government Agent offices.

Regulations and laws that affect home-based businesses exist at three levels of government: federal, provincial, and local or municipal. Federal and provincial governments are considered together below because they regulate similar kinds of things. Your research will help you discover the separate responsibilities of each level of government in relation to your business.

Federal and Provincial Governments

Federal and provincial laws cover general duties in business, such as practicing business fairly, and specific consumer protections on advertising, packaging and labeling. Both levels of government levy personal and business taxes. The federal government charges customs duties, and administers the Unemployment Insurance and Canada Pension Plans. All these may affect you, and may influence your decision to base the business in your home.

The PST (Social Services Tax) is a seven per cent provincial sales tax administered by the Consumer Taxation branch. You are required to register for and collect social service tax (retail sales tax) on your taxable sales and leases, if you engage in any of the following activities:

- selling goods at retail
- leasing goods as a lessor
- providing legal services
- Vancouver Regional Transit Service Area
- providing taxable services (for example, repairs to goods)
- providing telecommunications services

The GST (Goods and Services Tax) is a seven per cent federal sales tax administered by the Canada Customs and Revenue Agency.

Municipal Government

Municipal by-laws cover zoning, where different types of businesses may operate, plus any local operating requirements. The zoning for your neighbourhood or area spells out what is and isn't allowed as a business activity from your home.

Licenses and Permits

Operating any business requires various standard licenses and permits, while some types of businesses require special permits. Trade and professional associations and licensing boards are good sources of licensing and permit information specific to a sector. Municipal planning or economic development offices will give information on local licensing requirements and restrictions.

Protect Your Ideas and Designs

People who invent or develop something unique have special protection available under Canadian law for their "intellectual property", ideas and creations. The four main kinds of protection are patent, copyright, trade mark and industrial design.

The Canadian Intellectual Property Office (CIPO) at Industry Canada can give information on patents, copyrights, trade marks and industrial designs. These offices will also date and send to Ottawa applications for the different forms of protection.

When ideas are forming, inventors are advised to keep a written record of progress and get a competent friend or colleague to regularly read and witness the written record. Ideas or work at this stage should only be discussed with people who need to know, and the fewer the better.

Patents

A patent is a right given for a maximum of 20 years by the Government of Canada to an inventor to stop others from using his or her invention in Canada. An invention must have an improvement that is useful and show "inventive ingenuity over that which existed before" to be awarded patent protection. This means that for a better mouse-trap to be awarded patent protection, it must have some original, clever difference between it and all previously patented mousetraps. The information required in a patent application is detailed and technical. If patent protection is important to your business, consider doing your own research and then consulting a lawyer who specializes in patents. Successful applicants for a patent have waited up to 3 years from the date of application before letters patent were issued – be prepared for the time this process takes. The cost varies depending on the size and complexity of the invention (plus any legal costs) and the cost includes a yearly maintenance fee to retain the patent.

Copyright

Artists, authors and writers have exclusive or sole rights to reproduce or copy their written, dramatic, musical, or artistic works. This right, recognized by the Canadian Copyright Act, takes effect once the work has been created. Copyright lasts for the life of the artist or author, and 50 years after death. For records, disks and photographs, the term of protection is 50 years no matter how long the artist/ author lives. Canada's copyright laws were recently changed to better protect educational materials, computer software and videos. Breaking copyright laws is called infringing on copyright, or copyright infringement. The recent changes to the copyright laws apply stiffer penalties to copyright infringement.

Libraries and authorized book agents have copies of the Copyright Act and rules. Protection of original works for "Life plus 50 years" is available for a fee of $65.00.

Trade-Mark

A trade-mark can be a symbol, image, business name, or a slogan associated with the business. Trade mark protection lasts for 15 years and can be renewed. Registration of a trade-mark through the Canadian Trade-marks Office is advised but not required, except for trade-marks that will be used as quality marks with precious metals or watch jewels, for which registration is required under the Precious Metals Marking Act. The Trade-Marks Act covers registration and outlines the symbols that can and cannot be used. Trade-mark costs include initial and renewal fees in the $150 – $300 range, not including the fees of an agent.

Industrial Design

Registration of an industrial design in Canada, which can be processed through the Canadian Intellectual Property Office at Industry Canada, gives exclusive/sole right to a unique or original design for five years, with a possible five year extension. Any industrial design may be registered within one year of publication in Canada if it is not similar to or the same as others registered here. A drawing and description are submitted to the Commissioner of Patents. A search is then made of earlier designs to ensure the one being registered is unique. The costs for the search and registration of an industrial design range from $160 – $215.

Integrated Circuit Topographies

Integrated circuit (IC) electronic chips and products have unique configurations called topographies. These designs are protected by the Integrated Circuit Topography Act. This legislation regulates the use and commercial reproduction of these circuits. Protection lasts for 10 years and fees for filing an application are $200.

Decide Which Business Structure to Use

One decision that all business people must make is what form or structure the business will have. Four possible structures, explained below, are allowed in Canada: sole proprietorship, partnership, limited company (corporation), business co-operative. Each business form or structure allows and requires different things.

People new to business may think it doesn't matter how a business is organized or structured. It can make a big difference:

- The right structure can help you reduce costs and maximize profits.
- Investors or partners may only be interested in certain structures.
- Banks and other sources of money may be more willing to lend to certain business structures than others.
- A business structure affects how your business can grow.
- Taxation and tax planning are different in different business structures.

Sole Proprietorship

This structure is the simplest of the four. A proprietorship is a common form for new home-based business. A sole proprietorship is a business that is owned and operated by one person. Most self-employed people operate as a proprietorship. A proprietorship can operate under a person's name without filing a name declaration with the Registrar of Companies, but if any change is made in the name, such as adding "and company", "and daughter/son", or "and associates", you should register with the Registrar of Companies. The name you select must not be in use by a corporation. Instructions for checking and filing a business name are provided in Appendix M.

Partnership

A partnership is also easy to set up. By carrying on business with a view to profit, you and your partners create a partnership, even if you don't sign any agreements or contracts. Formal or informal, a partnership is a legally binding business relationship in which each partner takes responsibility and becomes liable for the actions of the other partners. This includes actions that may be taken without a partner's knowledge. This risk is part of the business structure.

A partnership must legally register its name and give information about the partners, so the public has a way of finding out who it is dealing with. Selecting, checking and filing the business name of a partnership requires the same steps as for a sole proprietorship.

Business planning for a partnership involves discussing all aspects of the business and how it will function. This is particularly important if prospective partners are friends or relatives. Some important topics include the goals of the partnership – both short-term and long-term goals – and how these goals will be reached.

The question of how profits will be used is also important. Two main options are that profits are taken out of the business to be divided among partners and that profits are turned back into the business. Partners may want the portion or percentage they receive to change when profits reach a certain point, or when the business reaches a certain size.

Home-based business advisors recommend that prospective partners write up a partnership agreement to help clarify terms and conditions.

Written agreements among partners generally include the following kinds of information:

- Name of the partnership.
- Business to be done by the partnership.
- Procedure for adding new partners.
- Procedure for a partner to leave.
- Procedure for making decisions.
- Responsibilities of partners.
- Terms for ending the partnership.
- Name of who will keep the partnership's financial records.
- Methods that will be used to keep financial and other business records.
- Any limitations upon the authority of a partner to act as an agent for the partnership.

M121

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Corporation or Incorporated Company (Limited Company)

Few home-based businesses need to incorporate and professionals advise clients against incorporation if it isn't necessary. Business structure can be changed in future. The owner/operator of a sole proprietorship that booms may decide to expand and to incorporate at the same time. By issuing shares and following government procedures to incorporate, this business form has a life of its own; it can outlive members and shareholders. All shareholders are part owners, able to vote with their holder's equity, which is their share of the business.

Each corporation sets its own rules, within the law, for shares and business operation. Each corporation operates as a separate entity and shareholders and directors may be held legally responsible in certain circumstances. Incorporation can be done as a provincial company, through the Registrar of Companies, or as a federal company under the Canada Business Corporations Act administered by Industry Canada.

Business Co-operative (Co-op)

The business co-operative is a special form of an incorporated structure. Two kinds of co-operatives are suitable for a home-base business: the marketing co-op and the worker co-op.

In a marketing co-op, members are individual producers (for example of crafts, clothing, furniture) or providers of a service (such as office work or cleaning) who choose to market their products or services together. The co-op might employ a marketing person to promote all the members' products and services, or might rent retail space. Members continue to work in their own homes.

In a worker co-op, members all work in one business, for example silk-screening T-shirts or raising bedding plants. One location may be used as the primary business site or several members' homes may be used for different functions. Members may work together on the same task or be responsible for different aspects of the business.

The initial capital for a co-op is raised by member shares. Liability is limited to the amount of share capital owned by a member. Democratic control is an essential feature of business co-op operation; business people who choose this structure must have a commitment to co-operation. Each member has one vote.

Ways to get started

Douglas and Diana Gray in their book *Home Inc.: The Canadian Home-Based Business Guide* (1994) describe these four different start-up routes:

- **The buffer route** – Find some means of attaining a financial reserve or buffer to sustain you while you start your business. You should have sufficient resources to finance your business and personal expenses for a minimum of six to twelve months. The money could come from personal resources, family, friends, or a lender.
- **The spinoff route** – You could take a client or clients from your previous job (assuming there are no legal or ethical impediments). Alternatively, you could turn your employer into your first client by negotiating a contract as an independent contractor (consultant, broker, etc.)
- **The moonlighting route** – Develop your business as a sideline to your full-time job.

Once your business starts to successfully generate sufficient income to meet your personal financial needs, quit your full-time job.

- **The part-time job route** – Find a part-time job to provide you the base income required to build up your home business. Ideally this would be in a field related to your business, so that you have the chance to develop ideas and contacts or client potential, but you should be on the lookout for a possible conflict of interest. Once the point is reached that your business net income is equal to your base part-tincome, you could quit the part-time job.

Produce A Business Plan

The next step is planning the nature of the business itself. Most people have a lot of experience with planning, even if they don't think of planning as separate from life or work tasks. This means that most people already have skills that can be used in planning a business.

Reasons for Doing One

A business plan is a system for organizing information about the many aspects of a business. This is used to organize the information in the research file. Using this same framework, a formal plan for how the business will operate can be written.

Do you really need a business plan? Yes, you do. One major cause of failure for new home-based businesses is the lack of an adequate business plan. Planning has many functions in business.

A business plan will:

- force you to think through your business idea
- help you judge and evaluate a business idea so there is less risk
- show where you need help or information
- organize and present information about your business so you can progress logically and not get off track
- increase your self-confidence
- lessen the risk of oversights and errors
- organize ideas so you can communicate them to others
- increase chances of business success once established
- remind you of good ideas and ways to save time or money, which will be especially important as you get busier
- help you to obtain necessary financing

Preparing a Written Business Plan

The order of preparing sections in a business plan is straightforward. Start with the business concept (What will you sell?), work through marketing (How will you reach customers?) and operations (How will you run your business?), and concentrate on finances (Will you make money?). Write a summary last – even though it is placed at the beginning of the written plan – and call it the Executive Summary.

Business plans are prepared for different purposes, and sometimes for different readers. If you are hoping to arrange financing with a certain lender, get information before you

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prepare your business plan about whether a particular business plan format or outline is preferred by that lender. This may save you the work of reorganizing your business information for presentation later.

Composing the Document

Creating text is easy for some people, hard for others. Words are communication tools. Learning to use them effectively is the same as for other tools – it requires practice, and the more you use language as a tool, the better your communication will be.

Even if your writing skills are weak, produce a rough/draft version of your business plan yourself, so you have done the initial thinking and organizing. If you do hire a professional writer or business consultant to produce a final version of your written business plan, work closely with that person throughout the process. This is important as you need to be familiar with your plan – you will probably have to explain it to business contacts and lenders. The strength of a business plan as a communications tool becomes clear at such a time.

Presenting the Plan

How a finished business plan looks will influence its effectiveness. If your product is printed, the presentation basics include a clean and complete printed copy in correct order, with covers, a title page and table of contents inside the front cover. If your product is electronic, such as an e-mail or disk, the finished business plan should represent your business standards and convey your chosen business image.

Presenting a business plan involves more than making and sending off good copies. A lender would rather see a hand-written plan that he or she knows is yours than a fancy CD presentation of someone else's ideas. You need to be familiar with the plan because you will probably have to explain it to business contacts and lenders. The strength of a business plan as a communications tool becomes clear at such a time. You can depend on it to help you present the necessary information about your business in a clear, logical way, thus making you more confident. The pressure of making a presentation is reduced because you have a plan with back-up documentation.

Updating the Contents

A business plan is so important in establishing and managing a business that preparing a finished version is only a step along the way, not the end of the process. Once your business plan has been produced, it can be revised regularly – at least once a year. Managing a business with a current business plan is much easier than without one.

What to include in a Business Plan

There are as many approaches to planning as there are businesses. Basic information may be presented in various ways in a written business plan. You may find that it is organized in different ways in resources and guides to business planning. While there is no one right way, a good business plan covers all the information necessary to understand the business.

The four-part framework for a business plan used in this guidebook is:

Business Concept: What will you be selling?

- the product or service
- the business
- the industry
- business goals

Marketing: How will you reach buyers?

- the market area
- market share
- location (directly related to marketing)
- customers: the market
- competition
- methods of selling
- price
- servicing, guarantees
- image
- advertising
- promotions

Operations: How will you run your business?

- location
- premises and facilities
- equipment and methods
- materials, supplies and sources
- key personnel and staff
- professional services and resources
- management and training
- short and long-range plans

Finance: How much do you need to make a profit?

- sales forecasts
- costs of production or services
- capital equipment
- start-up expenses
- income statement
- cash flow
- balance sheet
- break-even analysis
- sources and uses of financing

Online business planning

Check out the range of business plan assistance available on the Internet. Help ranges from planning tips to FAQs to full-service interactive programs that walk you step-by-step through the whole process of preparing a business plan, leading to a printed hard-copy at the end. Try these for starters:

- Interactive Business Planner
  www.cbsc.org/ibp
- Business planning software
  www.paloaltosoftware.com
- Glossary of financial terms
  www.cbc.ca/eng/Tools

Describe Your Business Concept

You are now ready to transfer you research into the first section of your business plan. The information you gathered when evaluating your business opportunity will help you explain the overall concept of your business

A concept is an expanded idea. Taking time to express your business idea as a well-rounded concept is important to your potential for success. It helps you understand fully what business you are getting yourself into – especially the business practices of your competitors and the typical expectations of your customers.

In your Business Plan the "business concept" section will provide clear descriptions of

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- sources and uses of financing

Online business planning

Check out the range of business plan assistance available on the Internet. Help ranges from planning tips to FAQs to full-service interactive programs that walk you step-by-step through the whole process of preparing a business plan, leading to a printed hard-copy at the end. Try these for starters:

- Interactive Business Planner
  www.cbsc.org/ibp
- Business planning software
  www.paloaltosoftware.com
- Glossary of financial terms
  www.cbc.ca/eng/Tools

Describe Your Business Concept

You are now ready to transfer you research into the first section of your business plan. The information you gathered when evaluating your business opportunity will help you explain the overall concept of your business

A concept is an expanded idea. Taking time to express your business idea as a well-rounded concept is important to your potential for success. It helps you understand fully what business you are getting yourself into – especially the business practices of your competitors and the typical expectations of your customers.

In your Business Plan the "business concept" section will provide clear descriptions of

the following:

- The product or service.
- The business (including the business structure or form).
- The industry.
- The goals of the business.

Let's examine each one in more detail.

The Product or Service

Good ideas for products and services need to be spelled out with details. This section of a business plan:

- describes the main products and services, and the purposes they serve
- names similar products or services available from competitors, and describes them, particularly any problems that exist
- explains why customers will buy this product or service from you instead of something similar from the competition
- describes the status of protection (patent, copyright, trademark, industrial design) or special features
- shows working drawings and designs
- names legislation, regulations and standards that apply to the product or service.

The explanation of what is special about a certain product or service is important because it sets out business advantages, the basis on which your business will be able to compete. This is the key to effective marketing.

The Business

Being able to provide a brief, accurate answer to the question, "What is your business all about?" is a must. A complete business description gives:

- Name of the business.
- Business form or structure.
- Key people (owners, partners, investors, employees, professional advisors).
- Place where business will operate (municipality/region).
- Location at which business will operate (address).
- Contact numbers for the business (mailing address if different from location, telephone and fax numbers).
- Place business will be registered or incorporated.
- Date of business start-up.
- Business license number, date and place issued.
- Zoning category of business location.
- Social service tax registration number
- Federal Goods and Services Tax (GST) if your revenue in any 12 month period exceeds $30,000
- Business logo, design, and business card.
- Trade mark or trade name.

The Industry

This section usually covers:

- Industry profile, showing the amount of sales (both the quantity sold, and the value) and types of businesses (huge, big, small, tiny).
- Industry trends.
- Main challenges and problems the industry faces.
- Industry features, any special things about it.
- Industry future (the view from inside and

outside the industry).

- Where this new business with its products or services fits into the industry.

Also usual for this part of a business plan is an explanation of:

- How this new business will compete in the industry.
- Special things that make this new business competitive, and able to succeed in the industry. This is called a competitive edge or advantage.

The phrase "business and industry" is often used to describe all private business activity. There are differences between the two. Related and similar businesses are grouped into industries. Industries can be organized in different ways. One standard division of an economy into industry sectors is:

- Agricultural, Forestry and Fishing
- Construction
- Manufacturing
- Mining
- Retail
- Services
- Transportation and Storage
- Wholesale

A reference section of a library and a librarian will help you identify likely sources of industry information. Industry sources may be suppliers, trade and professional associations, trade journals and more general business magazines and news coverage. Almost ALL industries have some kind of trade journal. This is one reason that identifying the industry your business belongs in is so important – it can help you locate key sources and resources. These in turn will help you watch trends of economic expansion or recession, and track the impact of related industries on your business and industry.

Business Goals

A business description includes an outline of your personal and business goals, and explains how these increase the chances of success. What do you hope to achieve in each of the first years of the business, in relation to time worked, money earned, product sold (number and sales figures) or service provided, and profit made? How do your personal and business goals support each other?

For more information

A companion guide to handling business planning for small business owners is available in the series called *Solutions for Small Business.*

Called *Business Planning and Financial Forecasting*, the guide is available from the Minsitry of Small Business, Tourism and Culture.

The guide can be downloaded from: www.sbtc.gov.bc.ca/smallbus/publications

How to turn interests into income

1. Write down all your interests, hobbies, leisure activities, and previous work or volunteer experiences that you have enjoyed. (For example: travelling, collecting miniature furniture, cooking, shopping, fishing, working with computers, meeting people.)
2. The next step is to convert your interest into income opportunities. (For example,

outside the industry).

- Where this new business with its products or services fits into the industry.

Also usual for this part of a business plan is an explanation of:

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2. The next step is to convert your interest into income opportunities. (For example,

if you like to ski and travel, you might want to organize ski charters; or, if you're interested in photography and enjoy meeting people, perhaps a videotaping service would be right for you.)

3. Now, narrow the list down to the three or four businesses that appeal to you the most:
4. Research these further to determine which is your best bet. (For example, who would your customers be? How can you reach them? Who's your competition? How much money will you need to get started? Use this guidebook as a guide to help you with these research questions.)

You may be surprised by your findings. A business that originally seemed like a good idea might not show up on your list. Conversely, an activity you've always done purely for fun could emerge as a potential money-maker.

Get opinions from family and friends. Make a core list of the best three to five possible ideas. Choose one to assess as you work through this guidebook, and if research shows it isn't a real opportunity, work with another.

When you are comfortable that you have a good idea – one that your research indicates has a good opportunity for being successful – prepare a good description of this business concept to use in your business plan.

3

How Will You Reach Buyers?

Fabulous Fabric Act

by Devon L. Muhlert

Susan McCormick stays in business by playing. Her creations, on the other hand, work hard – as advertising for her clients.

Her company Fabulous Fabric Act, Banner and Inflatable Design Company has a name that says it all – she creates large-scale inflatable creatures, for clients who want their advertisements to stand out from the crowd.

"We're geared to screening out huge visual advertising," Susan explains. "But when people see playful figures, they look twice. They perk up."

When Susan breezed into her vocation, it never occurred to her to research potential markets, because producing 50-foot creatures inflated by cold-air fans had never figured in her wildest dreams. Friends volunteered Susan to work on inflatables for the university games in Edmonton.

More contracts followed and Susan realized she needed a marketing portfolio with photos of sample products. She approached prospective clients armed with a unique concept and a sketch. Some years ago, she suggested the use of a semi-cartoon character to advertise a local winter carnival. Organizers recognized its potential for promotion, and Susan pursued her vision. It hovered over many parades before Susan sold the inflatable to a bank for sponsorship.

"It always gets front-page exposure and both groups benefit. How else could a bank get coverage in such a playful way?" she says.

With her specialty business, Susan competes in a global marketplace. For greater exposure, she built a Web page but continues to sell her work outright rather than create a large-scale rental business. She's sticking to her niche.

Making sales is crucial to any business. The people who buy a product or service are called consumers, customers, buyers, or simply "the market." Marketing is a general name given to the steps you use to get your product or service into the hands of people who are ready to buy. It may sound simple but marketing is a weak area for many new small businesses everywhere, including home-based ones.

Entire workshops, courses and books are devoted to explaining the mysteries and skills of marketing. This introductory guide can only offer some marketing basics, enough to get you started.

Target the Market

Marketing involves all the different stages from developing an idea for a product or service to delivering it to paying customers.

These include:

- Finding out what the market wants, what it will buy, when, and how much it will pay.
- Designing products or services to meet those wants.

- Comparing other products and services available for sale to yours.
- Doing market research with potential customers (to test sales potential and profit feasibility of a business idea).
- Presenting products and services in ways attractive to probable buyers.
- Developing a marketing strategy (a coordinated plan for different aspects of marketing).

Research Your Market

Market research is generally of two types:

- **Primary research** – This is what you collect yourself (first-hand information).
- **Secondary research** – This is the statistical and descriptive information that others have collected (second-hand information). Secondary research sources of marketing information are of two main types: published material and human contacts.

Primary and secondary research sources both give valuable information. Learning how to interpret, evaluate and use information from various sources is a marketing and business challenge.

Basic guidelines include:

- Using standard and reliable sources.
- Trusting your instincts.
- Analyzing the information you obtain.
- Getting professional advice when you need it.

Depending on your business, choose a mix of information sources that best fits your needs and see Appendix I for the pros and cons of each technique.

Survey your Customers

A market survey asks questions of possible customers. The answers are then used to guide business decisions. Market surveys are used by existing businesses to get ideas from customers about needed improvements, as well as by new businesses to test market reaction to a product or service.

A new business with an untried product should undertake at least one test market survey before making final decisions – especially that key decision of whether to go ahead with the business idea. Depending on the market response, a product may need to be improved and test-marketed a number of times before production begins. The time invested in test-marketing will prove worthwhile.

Design your Marketing Strategy

A marketing strategy is a way to give a marketing orientation to your business. This means you decide to position your product or service in terms of what the buyer needs and wants. Inexperienced business people often make decisions based on what they like or want, leaving the customer out of the picture. A marketing orientation brings the customer into the centre of the picture.

A marketing strategy is sometimes summarized into "the six P's", a framework you can use to make sense of marketing.

- Product
- Price
- People
- Promotion
- Place (including transport)
- Profit

This framework stresses that a successful business provides the right product at a competitive price to the intended people using effective promotion from the best place to generate the greatest profit. Having all of these elements well-chosen is important – weak points can be disastrous.

A marketing strategy means a customer orientation in every aspect of your business. Exactly what this means in your situation and business is usually composed as a marketing plan and included as the marketing section of a complete business plan.

Draft a Marketing Plan

A marketing plan is your plan of action – who, what, why, where, when, how, and how much. A printed marketing plan is usually not more than 10 pages. Often it is presented in point form, giving basic facts about the business's approach to marketing.

The marketing plan includes details on:

- **Market Area:** the trading or business area
- **Market Share:** a business's share of total sales in a market area
- **Location:** the business's physical base
- **Customers:** the market profile
- **Competition:** those selling similar goods or services
- **Methods of Selling:** ways sales are made
- **Price:** the dollar figure that products or services sell for
- **Servicing and Guarantees:** after-sales support
- **Image:** appearances and impressions
- **Advertising:** ways to encourage and increase sales
- **Promotion:** ways to increase market share and raise profile

Market Area

Market area is the area of business operation. Market area can be a building, a neighbourhood, a region, several towns or cities, the province, the country, or some international territory. One way to keep market area clear is to remember it as a geographical area that can be marked on a map. Within the boundaries of a market area, your target markets are those groups of people most likely to become buyers.

Of course, today's global economy has blurred market boundaries, often making these boundaries irrelevant. The Internet easily allows your business to reach buyers living anywhere in the world – so long as they have Internet access. But home-based businesses – especially those linked to tourism – may be identified with a specific location or region.

Market Share

A market area and your target market within it will support a certain level of sales of a given product or service. The portion of total sales that any one competitor has is called market share. Your potential sales volume – how much you can reasonably expect to sell – is your estimated market share. This estimate can be given as the number of sales, the money value of sales, or as a portion of the total market – market share. Estimating market share isn't easy, but it is worth it. To sell your product or service, you have to know how a market is divided, and what share of it you hope to obtain.

Estimating market share involves three main steps:

1. Estimate the total market in the trading or market area you have chosen.
2. Consider your competitors and how much of the total market each competitor has now.
3. Decide on a figure for your market share.

Your goals may be to take part of your competitors' market share, or to develop a different market. Keep those goals in mind when you estimate what portion of the total market your business expects to secure in the first, second and third years of operation.

Location

Business location is included in a marketing plan because it can affect sales. If your home-based location has a direct effect on sales – perhaps because you operate a bed and breakfast on a Gulf Island – include an explanation of this in your business plan. Information about location that does not directly affect sales, for example on zoning by-laws, should go into the Operations part of the business plan. (See also page 28.)

Customers: Market Profile

This market profile typically uses primary and secondary sources to answer key questions about a potential market. A profile is a picture or an outline. Some of the data to include in your market profile is called demographic information about your target market. This includes:

- Age, usually given in a range (20-35 years)
- Sex
- Marriage/partner status
- Location of household
- Family size and description
- Income, especially disposable income (money available to spend)
- Education level, usually to last level completed
- Occupation
- Interests, purchasing profile (what are consumers known to want?)
- Cultural, ethnic, racial background

Demographic information is available from Statistics Canada (see www.statcan.ca) and BC Stats (see www.bcstats.gov.bc.ca). When you are collecting this information yourself – for example in a test survey, use the same ranges for categories of age, income and education as you find in Statistics Canada publications. Thus, instead of asking exact age or how much money a person makes in a year, ask for the range that applies, such as 30-40 years, or $20,000 – $30,000.

Within a market area, some people are more likely to buy a business's products or services than others. People who are the most likely to buy are target markets – perhaps identified from annual sales of similar products or services (secondary research) or from surveys (primary research).

For instance, a business that makes clothing may consider a number of possible target markets – toddlers, athletes, teenagers, and tourists. A general profile of each of these possible markets will clarify which ones are realistic, less risk, and more likely to show a profit. A test market survey of the most likely

market groups – or those who buy for them, such as parents for babies and toddlers – can help you separate real target markets from unlikely possibilities.

Once a business is established, research yields a steady supply of names and addresses of current or potential customers. This information is the key to the demographic profiles that Statistics Canada has already prepared on the basis of census data. This information is organized according to postal code. Markets tend to cluster; if several customer addresses are in the same area, the census data will be able to tell you a lot about the target market group; size of household, annual earnings, and percentage that own their own homes. This use of secondary data is a good way to get a general fix on a target market before investing time and energy in doing a test market survey.

A demographic profile of the most probable buyers in a market area describes a business's target market. Use this as a guideline: you can't know too much about your customers. When possible target markets have been narrowed to the most likely, a market profile giving the following information will support the choice.

Competition

Your competition is the businesses who sell similar products or services to the same customers you have selected as target markets. A firm that sells exactly the same thing you do – but to a totally different market – is not competition that needs your attention. Some new business people concentrate more on the competition than they do on customers. This is understandable – the competition is often more visible and easier to find than a group of possible future buyers. But keeping the customer in focus is crucial to marketing success, even when you are thinking about the competition.

By researching your competition, you can produce a competition profile, using industry and trade directories, the yellow pages, as well as some amateur detective work by including visits to competitors' businesses.

A competition profile tells you where your target customers presently buy similar products or services. It includes:

- Names of firms and their locations
- Appearance of business sites and layout of operation
- History, and number of years competitors have been in business
- Similar products or services to yours – source, features and price
- Related products or services that the competitor sells
- Suppliers
- Number of employees
- Sales

By studying the competition, you will be able to assess whether you can find a special place in the market that does not necessarily reduce competitors' sales but expands the market to benefit the whole industry. Finding this special or unique place in the market is called a *market niche* or positioning your business.

Position refers to the image customers have of your business. The secret is to create a business image that acts as a natural magnet for your intended customers. A number of factors that customers often look for include:

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- Price (cheapest price, fair price, price for quality, etc.)
- Assortment
- Parking
- Service
- Sales personnel
- Quality
- Fashion
- Convenience
- Location
- Atmosphere

Your overall position should emphasize those areas that your customers value most, and those which make you different from your competition.

Sources of information

There are several different methods for obtaining both primary and secondary information. These include:

Primary

- questionnaires
- talk with customers
- interviews
- focus groups
- contact with suppliers
- information on competitors
- observe competitors
- talk with distributors, retailers, agents, brokers
- consultants, advisors, mentors
- hire students to complete a survey for you

Secondary

Published Material

- census reports (Statistics Canada)
- Internet Web sites
- electronic databases
- trade magazines and journals
- newspapers and clipping services
- libraries and resource centers
- books on the industry
- published reports and studies

Contacts

- industry and trade associations
- Chambers of Commerce and Boards of Trade
- local business information centers.

How to do a test market survey

1. Take a sample of your product or a description of your services to at least 20 people, the more the better. Don't include family or friends in your survey. Instead, take the sample to people who will be objective and who won't say things just to make you happy.
2. What are their first reactions? If most of them respond positively, you're probably on the right track.
3. Interview or survey the people in your sample to get the information you need. Ask the same questions in the same way to all the people you interview – this makes your survey results more reliable. The kinds of questions to ask are:

- *Would you definitely, maybe, or not buy this product/service?*
- *Would you be more likely to buy it if something about it was changed?*
- *What might make you more likely to buy it?*

- Price (cheapest price, fair price, price for quality, etc.)
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- *Would you definitely, maybe, or not buy this product/service?*
- *Would you be more likely to buy it if something about it was changed?*
- *What might make you more likely to buy it?*

- *Do you buy something similar to it now?*
- *Are you satisfied with it? Do you experience any problems with it?*
- *How much do you pay for the comparable product/service now?*
- *How much would you pay for this product/service?*
- *Would you buy this product/service if it was sold in the way being considered (e.g. on a local grocery shelf, at a fair, by mail order, or at a Web site)?*

4. Ask the people you interview for demographic information – such as age range, education and income level – so that later you can complete a profile of your most likely customers.
5. Take all your information and organize it so you can see the general picture. Across each of your questions, you will have a range of information. Add up the number of YES/NO answers. Organize number information (e.g. the price people would pay) from lowest to highest – this is called the range or spread.

   You want to know what price you can charge, whether that price will provide a profit, and whether or not the idea is worth pursuing. Take the spread of answers about how much your possible customers would pay. Drop the top 10 per cent and the bottom 10 per cent and average the rest of the responses. (If you are not sure how to work with percentages and averages, get someone to help you with your test survey.) This gives a rough idea of what potential customers think your product is worth, as well as a possible price range marked by the lowest and highest prices.
6. How to estimate the total costs of selling the product or service is explained in Pricing (below) and in Chapter 5 (see page 68). Use the approaches to determine your complete costs and set preferred prices. Compare those costs with the information you have gained about the market through your test market survey.
7. At this point, you can decide whether or not a product or service is worth pursuing any further. If it is, the next steps of the test market survey are worth finishing.
8. A test market survey also tries to estimate how many people might buy a product or service – what the sales volume might be. Go back to the "Would you buy this product/service?" responses. Take all of the "definitely" and half of the "maybe's", and average these two numbers. A good rule of thumb is: if that number is over half (50 per cent) of the total number of people surveyed, you have a small fighting chance. 65 per cent is okay. 85 per cent or over is great. If the number is under 50%, the recommendation is to forget it – for that product or service, and for the target market represented in your survey. This may not mean starting again from scratch. Consider whether the group of people you surveyed represents the market that you plan to target. If you have a certain target market in mind, make sure your target market survey is representative of that group.

Doing this kind of test market survey outlined will not guarantee success. But it will tell you if you are on the right track. This survey is an example of a primary source research method in which people are interviewed directly. You

will want to support the test market survey results with research from other sources, for example trade publications.

Market profile: What to include

The following is an outline of the market information to include in the Marketing section of your business plan.

- Who are you going to sell to?
- What key characteristics of your market support your expectation of sales? These could be known buying patterns, economic trends affecting consumer spending, and consistent demand for a similar product or service.
- Where is the market? What is its geographical distribution?
- (Does this mean anything for transportation costs, or for distribution?)
- What is the market size? How many customers are there in the region you plan to market in? What sales of these products/services does the region already support?
- Is the market growing? changing fast? stable? at a certain point in a standard cycle?
- What is the total value of the market for products/services similar to yours?
- What share of that market or those sales can you expect to get?
- What are the special features or benefits of your product/service?
- What products and services is the market interested in?
- Why is the market interested in these goods or services? (Is the demand part of a wider demographic trend, like a "baby boom", or a luxury that is likely to disappear if there is a downturn in the economy?)
- Who makes purchasing decisions (in some cases, this is not the same as the purchaser)?
- What price is the market willing to pay?
- How frequently does it buy?
- What does competition in the market look like at this time?
- How will you provide the market with information about your products/services?
- What in your market information will appeal to your target market, and make people want to buy?
- What expansion possibilities exist?

Select Methods of Selling

The two main categories of selling are called direct and indirect.

Direct sales – This is when a business sells directly to its own customers. Among other ways, this could be door-to-door sales, selling at trade or craft fairs, or marketing through the mail.

Indirect sales – These methods involve links with:

- retailers, who in turn sell directly to customers
- distributors, who arrange for an item to be distributed in different sales outlets
- telemarketing or mail order firms that handle orders and distribution.

The continual increase in the speed and scope of modern electronic communication – via telephone, cable and satellite – is reducing the distance between buyers and sellers and favouring direct selling.

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Select Methods of Direct Sales

Personal Calls

Rather than simply making cold calls at random to potential customers, try this method. It's slow but generally effective:

- Send a personal letter or e-mail to ten people every day, and explain that you will phone within the next two weeks.
- Phone the people you have written to after a few days and offer them two dates and times for a personal visit.
- Make the sales call on the day and time they chose.

Door-to-Door

Door-to-door selling is still a solid way to build a list of customers, if you can overcome your shyness and fear of rejection. Of course this method can be very time-consuming. Persistence does pay off. Increase the odds by researching information about your target market and only knock on the doors of people who fit your customer profile.

Direct Mail

Direct mailing, even targeted to a certain market, is a difficult way to make sales because so many people throw materials away as junk mail without reading them. Direct mail campaigns that give returns often have five or more mailings.

Mail Order

Mail order has been a traditional way of selling for home-based businesses. The catalogue phenomenon in North America, with steadily more people buying products from specialty mail order catalogues, is partly due to the trend of people preferring to buy from home. You might consider listing your product in an existing mail order catalogue service. Be sure to figure mailing and shipping costs carefully.

Online sales

The explosive growth of the Internet has provided a huge outlet for sales opportunities. Electronic transactions are forecast to surpass $12 billion by 2002. As the number of families and businesses with Internet access grows, more and more people are turning to the Internet as a place to buy – although the expectation of Web surfers is that much will still be available for free.

Some tips for reaching the on-line customer and creating a positive customer experience are:

- Keep in mind that the people who shop aren't interested in how fancy your Web site is so much as how easy it is to navigate around. Provide clear, easy-to-see and easy-to-use menus.
- Remember the customer is in a self-serve environment with no friendly people at the door to greet them. Put yourself in their shoes – what questions would they want asked about your business first.
- Tailor your site to meet the needs of your target customer – the visual appearance of the first page should sell your image.

- Time is of the essence – Respond quickly to orders and e-mail messages. Change the content on your site frequently to show it is active.

You must also seek out your customers or visitors to know who they are. Few people will fill out guest books voluntarily so build them into the information you collect about the customer when making a sale. Offer modest freebies – such as a free sample or tips on how to do something so long as people give you demographic information.

Broadcasting random e-mail to people – called spam – is not a recommended method though. People are increasingly concerned about their privacy and unnecessary increases in the e-mail they must handle.

Streetwise advice on Internet marketing
Bob Adams, in his book Small Business Start-Up, gives the following pointers to help young businesses avoid becoming tangled in the World Wide Web:

- **Walk before you run** – A lot of people have invested huge sums and seen little to show for it. Others have spent little money, built simple sites and generated strong sales. Test you site before you commit to it.
- **Traffic may not mean sales** – Many people may "hit" on your site by accident or out of curiosity. The key is whether people stay long enough to make a purchase.
- **Keep costs down low** – You can create and maintain a Web page inexpensively with some software products now available.
- **Know what your web page is for** – Web sites are highly useful for customers to obtain information, view catalogues and comparison shop. What is your Web page offering?

Selling by Fax

Many small companies can actively market via the fax machine. It is faster than mail, it provides a paper record which a telephone can't, and it allows you to use auto-dialers to poll several numbers at once. However, faxes are gradually becoming out of date because of the Internet, which is much cheaper to use with negligible line charges for the range of its distribution.

Sales Representative

Selling takes special skills. Don't dismiss the idea of hiring a sales representative. This is not just another name for a sales clerk. A sales representative is someone who actively seeks out and makes sales on your behalf.

Any sales representative you hire has to reflect and present the image you want for your business and product or service. Being clear about what you want will make it easier to find someone who fits into your plans.

Standard business advice is that sales representatives work best when paid only commission, but even salaried sales staff are more motivated to sell if they receive volume bonuses. Get a contract in writing – for a limited time period first – in order to assess performance of their sales.

Shows and Fairs

A good way to get experience is to design a booth or display and sell your product or service at trade shows, fairs, malls and flea markets. Most industries hold shows and fairs. Information about them is usually available from trade associations and professional journals. Your research will help you identify

events important for you. Shows and fairs are good places to assess the competition, and to develop a place in the market. Prices at craft shows may be unrealistic because many craftspeople undervalue their products.

Information on support for companies doing trade shows outside of Canada is available from the International Trade Centre – Industry, Science and Technology Canada. Specifically, check the Program for Export Market Development (P.E.M.D.)

Conventions and Conferences

An exhibit at a convention or conference puts your name out there and gets leads, as much as it makes sales. Attend one yourself as an observer first and notice how things are done. Many exhibits and displays are points of first contact. Customers generally respond positively when you follow up a lead from a convention or conference.

Marketing effectively at large events

To make the most of events like conferences, conventions, shows and fairs, organize yourself and your exhibit ahead of time. Some things to think about include:

Pre-Event

- the number of people likely to be at the event other exhibits that will be there
- materials and samples you have, what you expect to need, and how you will handle unanticipated demand
- how your display will look, how you will set it up, and whether parts of it will have to be replaced during the event
- if you plan to sell a product, decide whether display materials will be for sale, and how you will store and handle stock displays
- what comes with the facility and what you will have to bring (tables, curtains or material, shelves, chairs)
- who will work with you, and on what schedule
- who will take care of essential business matters back home while you are at the event
- the product, service, or feature you will highlight
- how you will make sales and record them
- how you will record leads
- how and when you will follow up on leads
- what you plan to spend to take part in the event.

At the Event

- assess which displays draw people
- give product demonstrations
- give people something useful, attractive, or memorable to take away
- keep up the energy levels of the people working in the exhibit or booth
- enjoy yourself

Post-Event

- how and when you will follow up leads
- record and evaluate your sales, contacts and expenses for future reference
- arrange future bookings

Explore Alternative Methods

Telemarketing

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Selling over the telephone is called telemarketing. This can be a direct sales approach, when you use the telephone to generate sales. It can also be indirect, when

you sub-contract to a telemarketing company to make sales by telephone.

Some markets appear to be saturated for telemarketing, but there is no harm in trying some low-key telephone calls to find leads.

As with other techniques, whether or not telemarketing is appropriate for you depends on your product or service, your target markets, customer profiles, and the response rate to telemarketing for similar products or services. The estimated response to a telemarketing campaign must justify the costs, which can be high.

Telephone Company Toll Free Numbers

When a customer calls a 1-800 number, the cost of the call is paid by the company, not the customer. Get information on this service from the telephone company. The average value of orders received by telephone tends to be higher than that received by mail, although the number of orders may be about the same.

Consider Indirect Sales Methods

Retail Shelf Space

Getting products into stores is a critical step to success – and one of the most difficult. A product has to be effectively packaged in an eye-catching way and be within the price range for competing products in order to outsell stiff competition. Even with all these things going for it, getting the attention of buyers and retailers is a challenge, and shelf space may be expensive. The investment is worth it though, if your target markets are likely to look for your product in retail stores.

Some possible ways for a new business to obtain retail shelf space are to offer retailers:

- Free merchandise to sell on a trial basis
- Sample cases or display units
- Goods on consignment
- Product demonstrations.

Large Retail Chains

Having a product carried by a chain store is a dream of many new home-based business people. It is not easy, but neither is it impossible. Use the track record and sales statistics from local marketing. Learn about how the retail marketing system works before trying to get into it. Perhaps most importantly, don't be intimidated. No matter how big the chain may be, you're still going to have to convince one person that your product is worth buying, just as you have to with smaller, local shops. It may take time to find that person and get a hearing, but once you do, rely on your belief in your product.

Outside Marketing Company

Using an outside marketing company does not occur to many new home-based business owners. Consulting outside marketing experts, even on one aspect of your marketing campaign, can increase your expertise and make you feel more confident about your approach. If your goal is to place a product in retail chain stores, definitely consider getting advice from an outside marketing company. A marketing company with a track record of getting new products into retail chain stores probably has a better chance of reaching that goal than you do working alone.

Determine Price Structure

Price is a key part of marketing. Setting prices

is called pricing. Before you can understand pricing, you have to be clear about costing. The three main cost areas that are considered in pricing are:

Supplies and materials – These include all money spent for supplies and materials used to make your product or to provide your service. This category is called a variable cost because the amount you spend varies with how much you produce. Shipping and storage charges are included as part of supplies and materials costs.

Overhead – This is a name for all fixed costs in a business – the business expenses that must be paid, regardless of sales, such as office expenses, insurance, and interest payments on loans. Another way of understanding overhead is to think of it as the cost category for all business expenses that are not supplies and materials or labour/time.

Labour and time – This needs to be assessed as a separate category when determining costs. Labour-related charges should be calculated in two ways: labour/time required in producing the item or providing the service, as well as a salary in the fixed or operating cost (administration, clerical time, etc.) of your business.

For costing and pricing, a business person needs to know the total time required to produce or do something, and how to cost this time accurately so it is truly reflected in a final price. A selling price can be set in different ways, but all involve the same three categories of numbers:

- Total costs of production (including supplies and materials, overhead, and time/labour).
- Profit or return.
- A final selling price.

Although different methods treat pricing calculations in different ways, the three sets of figures combine as shown in this formula:

total costs of production + profit = final selling price

Prices for products and services can be set in three main ways: pricing to the market, pricing to your costs, and break-even pricing.

Why time is often under-estimated

The time required to produce a thing or provide a service is often under-estimated by the owner because:

- People who are used to doing an activity as a hobby may not count all the time spent to produce an item.
- People used to working for someone else may not have full knowledge of how much time a complete job takes.
- People may place a lower value on their own time than what it would cost to hire someone to do the same work. The cost of hiring someone to do the same work is called the market value for your time.

Pricing to the Market

The section on target market above explained how to prepare a competition profile. Price is one of the most important things to compare. Prices of competitors for similar products and services set the price range that customers will expect. You can use that market price range – what is acceptable to the market – as a guide to set your prices. Businesses or people to whom you sell may also price to the market by telling you what they will pay for your product or service. As you keep records of actual costs,

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be true in a – market approach to pricing.

The drawback of pricing to the market is that your unit costs may be higher than others selling in the market. If you match your prices on theirs, you may make a loss on each sale!

Cost Approach to Pricing

Price must cover all costs of goods or services sold – including production costs of supplies, materials, fixed overhead, and time/labour – plus a profit. Chapter 5 will explain how to calculate and estimate these costs, presented as: costs of production, labour and non-labour, including overhead or fixed costs as well as supplies and materials.

Use this formula to set a per unit price based on your costs:

total costs of production per unit + desired dollar profit per unit = selling price per unit

Calculating Selling Price Per Unit

For example: A craft item requires...

Costs of Production	
supplies and materials	*$12.00*
time/labour 2.25 hrs x 16.00/hr	*36.00*
overhead	*8.50*
Total costs of production	***$56.50***

Percentage rate of profit desired: 30%

(you need to use the decimal form for this calculation – the decimal form of 30% is 0.30)

The desired dollar profit in this case is 0.30 x $56.50 = $16.95

The selling price per unit:
$56.50 + $16.95 = $73.45
(or $74 rounded up for use in projections and estimates)

Businesses can set different profit rates – for example 15 per cent profit on supplies and materials, 20 per cent profit on labour/time, and 25 per cent profit on overhead. These more complicated approaches to pricing usually emerge in response to the special needs of a particular business.

If your research shows similar products or services available to the market for much less than you could provide them for, you may have to adjust your profit margin and the return you want to get, or decide to provide enough specialized service or selection that the market will pay the extra. Alternatively, you may have to decide you cannot afford to make this item or provide this service and look for something else to do.

Break-Even Price

The break-even sales point for a business is when the selling price covers all costs of producing an item or providing a service – with no profit. This third approach to pricing uses a formula to calculate a selling price. The three numbers needed in the break-even pricing formula are: variable cost per unit, fixed costs, and volume. Remember that variable costs is another name for supplies and materials costs. Volume measures how much, in this case how much sales activity. Chapter 5 covers sales volume projections for the first year of business operation in more detail.

The formula for calculating the Break-Even Price is:

(Variable cost per unit x Volume)
+ Fixed Costs

Volume

Calculating Break Even Price

For example: A business's fixed costs or overhead for a year of planned operation is $20,000. The variable costs per unit sold (supplies and materials category of costs) are $5.00. The sales volume expected for the first year of operation is 10,000 units.

Fixed costs for overhead, one year:	*$20,000.00*
Variable costs per item:	*5.00*
Volume, sales estimate projected for one year:	*10,000*

Formula =

$$\frac{(\$5.00 \times 10{,}000) + \$20{,}000}{10{,}000} = \$7.00 \text{ per unit}$$

"Rules of Thumb" in Setting Prices

Some types of businesses charge prices according to certain "rules of thumb":

- Price is twice labour plus materials, or twice materials plus labour depending on which is higher.
- Price is materials and labour plus 20 per cent for fixed costs, plus 25 per cent for profits.

(Please note that this method is not recommended. Doing a calculation of prices to reflect accurate costs is preferable.)

Calculating actual costs is the only sure way to make sure your prices cover those costs. Labour and time expenses in a home-based business are often not included in cost and price figures. Labour and time charges are covered partly in the costs of production and partly as a salary in the fixed/operating or overhead costs. The chapter on Finances builds on the introductory costing and pricing information given here, providing some tips on each of the three main pricing approaches.

New business people with little experience may set an initial price based on the market, and then as experience grows, re-set prices according to costs. These two aspects of price – what is acceptable to the market, and what the costs are – must both be considered. The choices that a business makes about its target markets and sales make a big difference in pricing. For example, a business may make an early choice about which of these two market segments to target – the "good value", low end of the market, or the "quality conscious", upscale market. In pricing, as in everything else in business, the customer is the reference point.

Setting prices

In summary, the key factors to consider in setting prices are:

- **Marketing strategy and your immediate goals.**
- **Competitors' prices, and the market.**
- **Market demand for the product and consumer buying trends.**
- **Need to cover costs and provide an adequate profit.**

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Promote Your Business

Advertising and promotion are often treated as one area of activity and expense. One difference is that advertising is what you pay for directly, and promotion is what you do to get your product, service or business better known. Below are examples of advertising and promotion techniques available to home-based businesses.

New businesses in particular need to get known, which takes money. Avoid wasting money by first researching the costs for different advertising and promotion techniques. Select approaches that make the most sense for your situation now, and plan to change strategies as your business gets established. Include realistic advertising and promotion costs in your expense projections for the first year; these costs are necessary to achieve sales.

During the first year, keep track of the responses from different advertising and promotion techniques. For your second year of operation, concentrate on the ones that have proven to work.

Use Advertising Wisely

Some advertising activities include:

- Display Ads in Newspapers
  If a business's target market can only be reached through mass advertising in newspapers, the costs of newspaper ads may be a necessary marketing and business expense. That cost, especially for large display ads, is high. Small ads can be effective too, but keep in mind that less than 15 per cent of the small space is noticed by the typical newspaper reader. Contact the advertising department of newspapers known to be read by your target market for information about rates, opportunities and readership.

Display Ads in Trade Journals

A business with a new product can draw it to the attention of retailers through trade journals. In addition to offering display ads, some trade magazines provide free opportunities for new product and business promotion. Write directly to likely trade journals to request a copy of guidelines, opportunities, and rates for paid advertising.

Classified Ads in Newspapers, Trade Journals and Newsletters

People do read classified ads. These ads aren't costly, relative to display ads, and they may be a good way to get your business known. Consider classifieds in local, regional, provincial or national papers – whichever best reaches your target market.

Direct Mail

Direct mail as a method of sales was introduced above. Some information is also included here because direct mail is such a familiar form of advertising. Targeted direct mail works; that's why there is so much of it. That's also why there is some saturation and public backlash against junk mail. Only direct mail campaigns that are matched to the audience really work, and increasingly, only sophisticated direct mail gets a high response.

In the world of marketing and promotion, a "sophisticated" campaign can mean three to six separate pieces of direct mail, one after

another with a week to ten days between each piece. The first could be a letter alerting the customer to what's coming, then a letter of introduction with a "teaser", followed by a flyer, then an information or "tip"sheet, then a direct sales approach, and finally a reminder post-card.

If your direct mail campaign uses a series of targeted pieces, people may come to recognize your business name when the next piece of the step-by-step campaign arrives – and remember your business when the time comes to buy such a product or service.

Yellow Pages and Other Directories

If your product or service is mainly being marketed in a local or regional trading area, the yellow pages of the telephone book may be the best investment. The telephone company provides information about different advertising options in the yellow pages. Business directories are sometimes prepared for an area or a city. See the "Publishers – Directory and Guide" section in the Yellow Pages of your local telephone book; if there are no listings, check the same section in a Vancouver telephone book. If you have Internet access, the Yellow Pages for any area is only a few clicks away.

Shoppers and Flyers

Shoppers are special localized newspapers that only carry advertising for local business. Flyers are inserts into area newspapers. Both may have a circulation throughout your trading area.

Seek Promotion

Promotion activities require the imaginative, innovative side of people. Give it your creative best, keeping in mind that underselling is better than overselling. To work for you, all promotion also has to be consistent with your business image. Some examples include:

Specialty Advertising

Advertising specialties are items that carry the advertiser's name, address, and advertising message. They include calendars, pencils, pens, paperweights, matchbooks, personalized business gifts, pocket diaries, shopping bags, memo pads, ash trays, balloons, measuring sticks, key rings, glasses, and many other similar items. Advertising specialties help reinforce previous or future advertising and sales messages.

Trade Shows

It has become common practice for a seller to participate in a trade show, exposition or convention. There are shows for just about every type of product or service, and they are usually a part of an industry's trade association and may be part of the association's annual meeting or convention.

Samples, Coupons and Premiums

Sampling is the free distribution of an item to customers. It is an attempt to have the consumer test the product/service, and then continue to buy. This may be done on a door-to-door basis, by mail, through demonstrations, or insertion into packages containing other products. Coupons offer a discount, usually some price reduction, from the next purchase of a product. They can be inserted into magazines, newspapers, or other mail. Premiums are bonus items free with the purchase of another product to have the

consumer try a new product or a different brand. For example, service stations use glassware, ice scrapers and beach balls to convince new consumers to buy their brand.

Contests

Substantial cash or merchandise prizes are offered by firms to attract additional customers. In recent years, the public's appetite for gambling has increased the use of this method of grabbing the buyer's attention.

Demonstrations

The in-store and at-the-show promotions of consumer goods is a common example of this type of promotion. It needs to be done at a time and place closely associated with the actual decision to buy (such as having guest artists at work at a craft fair).

Turn Publicity to Advantage

Opportunities for publicity come in many forms, sometimes only limited by human ingenuity and nerve. While this area generally does not have the same expenses as advertising and promotion it is not entirely cost-free. It includes the expense of time required to create and submit publicity releases, printing and mailing, and other related items.

Testimonial Letters

They work because they give credibility. People who are happy with your product or service are one of your best marketing supports. Be sure to keep all such comments and letters. Since customers may not always volunteer these letters, consider asking for them, and always ask customer permission to use testimonial letters.

Free Publicity

Some other areas to consider include:

- Looking for ways to trade your product or service for free advertising or publicity.
- Arranging mutual marketing with another product or service, especially one that is used with yours or complements yours.
- Responding to issues and current news topics with letters to the editor as an expert or community resource.
- Offering free demonstrations or workshops and publicize them on free community bulletin boards and calendars in local newspapers, radio and TV.
- Starting an information file of events held annually (such as Secretaries Week or Father's Day)
- Writing media releases and issue them regularly. Media releases follow a standard format which you can find in a publicity kit.

Word of Mouth

The best possible promotion is the satisfied comments your customers make to people they know. Provide a good product or service, at a fair price, and support it after sales are made – the good word will soon spread. Ask satisfied customers to tell their friends and where appropriate, ask them for names of people who they think would appreciate hearing about your business.

Newsletters

Some businesses produce newsletters for their customers. These are often done in-house, and may not be slick publications. Business newsletters might include updates on the business, news about the industry, or product and service information. Such newsletters are

designed to provide a service to the market and promote loyalty as much as to directly make sales. Advertising in these or writing a short column of useful tips can help get you in touch with a specific market. Depending on your business and your customers, you may want to consider producing a newsletter of your own.

Electronic versions of newsletters can be produced and sent out on-line. They can be housed in a Website and served to anyone who requests them from a menu at the site. The production of the newsletter can follow templates available in various word-processing or desktop-publishing software.

Design a Promotion Strategy

Because promotion is often used as a general term to include all means of getting a product or service known and purchased by customers, a separate promotion strategy is sometimes considered. A promotion strategy answers these questions, and may be included as a separate part of a business plan:

- How will you get word about your product or service out to the people most likely to buy it?
- How will you inform, persuade and influence potential buyers?
- What type of advertising and publicity will you do?
- How and where will your product or service be sold, and why does that encourage customers and sales?
- How will you stimulate people's interest in your product or service, and increase their need and demand for it?
- How will you use sales and current customers in positive promotion?

A Marketing Package

Most businesses need a varied marketing package. One piece of information usually isn't enough. Some marketing strategies leave a trail of brochures, business cards, samples and tip sheets. What you need in your "marketing tool-kit" depends on what you're selling and on your customers:

- a catalogue, or catalogue sheets
- a book or collection of samples, photographs, and drawings
- product or service information sheets
- a video showing your work or the type of problems you solve
- testimonial letters or statements from satisfied customers and clients
- business cards
- pamphlets or brochures
- sheets of tips, information about using the product or service
- copies of articles published about the product or service
- outline of a telephone follow-up in a direct mail campaign
- "how-to" follow-up directions for interested contacts
- copies of Web pages downloaded from your Web site.

The marketing tool-kit or marketing package can be part of the business reference manual. Clear plastic protector envelopes will keep marketing sheets looking professional. A display package may need to be stored in a carrying case or portfolio for protection and transport.

Know Your Image

Image is an important topic for home business owners, partly because of the stigma sometimes associated with working from home. What business image are you marketing? A business image is affected by many things. Some key ones to think about are:

- The personal style of the owner/operator and other key contacts.
- Business graphics – logo design, business card, letterhead, packaging, signs, the style of advertising and promotion.
- Methods of sales – particularly important for some target markets.
- Telephone use – how calls are answered and messages followed up.
- Ways people are greeted and served, how well-informed sales people are whether or not interruptions – by people or the telephone – are accepted during a meeting.
- Whether or not a place of work is physically separated from the rest of the house and the activities going on there.

If you have two different market segments with two different images, seriously consider using two different product or service names. Even if it costs more in terms of name, packaging, pricing, etc., it is essential to keep the market segments separate and not confuse the clients who are looking for different benefits in each segment. For example, if you sell kitty litter to pet lovers, sell it for drying flowers in a completely different package and with a higher price, and sell it as an oil absorbent in yet another package aimed at a completely different market segment.

Using image in marketing means using a certain image to convince customers that what you are selling is what they want. Who is your ideal customer? What image will best match that customer's situation, given the profile you developed through research?

Quality control is linked to image. Setting and keeping standards of high quality in your business are essential to success. People appreciate getting value for their money. A consumer trend of the 1990's was a marked shift in certain markets towards quality. Even where your market niche may not be aimed at those sectors, the business reality of competition means you have to be concerned about quality.

In the anxiety of starting a new business, it may seem necessary to let a detail like low quality goods, poor image, or low quality materials slip by. But each slip in quality control has a long-term effect on your chances for success.

Offer Servicing and Guarantees

As part of your business research, begin to watch and read advertisements more carefully. Watch for the number of times that service is promoted as a selling feature of a business. It may be prompt, friendly, and no questions asked. Service is a main component of business success. For your marketing plan, questions of servicing include:

- What after-sales support will you offer?
- How does that compare with your competition?

If you want to stress service as a marketing theme, outline in detail what aspects are

special, and promote them as features.

Guarantees spell out what you promise to replace or repair. They are promises that a business person must live up to. Be sure you build in the costs of returns (5 per cent for example) or after-sales service as part of your variable costs. Then you can cheerfully live up to your guarantees. Warranties are a special kind of guarantee that usually promises certain standards of performance for a set period of time – for example, promising to replace defective parts for two years.

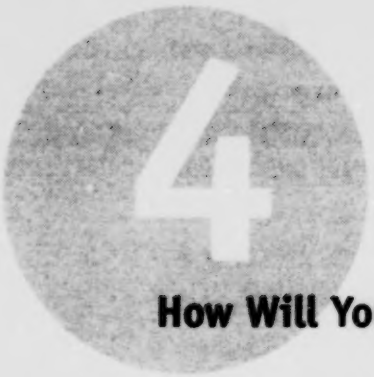
Revising Your Marketing Strategy

Having a business plan means you have a basis to work from. Using a plan to help you manage means regularly referring to it, and making changes to keep it current. Evaluating a marketing strategy is an important part of this process. It involves watching how all the different parts of a marketing plan work and how well they all fit together to support sales. Being willing to try something different is one way to make sure you don't get stuck with a marketing approach just because it is familiar or the first one you tried.

Some specific ways you can evaluate your marketing strategy are:

- **Keep track of what is working.** Some promotions and advertisements carry a sentence like, "Tell them you saw it in the XXX". This is how a company tries to track the effectiveness of its marketing dollars. Other ways include coding coupons or brochures, and asking customers directly.
- **Choose the best places for spending your money.** Keep your goals clearly in mind. If you are trying to build a base of customers with a certain profile, choose the methods that are known to reach that group.
- **Regularly check what marketing costs are being converted into sales.** Stop spending money for things that don't convert into sales.
- **Budget enough for advertising and promotion.** This area of business finance is often underfunded and one of the first to be cut if money is tight. Keep your customer orientation firmly in mind. Advertising and promotion are necessary for the customer to find out about the business. Advertising and promotion expenses are essential business expenses and should only be reduced when absolutely necessary.

And the last word on marketing ... nothing succeeds like success. Go with anything legal that works.



How Will You Operate?

Murray's Lawn and Landscaping Service

by Genevieve Gardner

"I don't compete with nature – I learn from it and I work with it," has been Murray David's motto since he started his lawn and garden maintenance business after retiring from a 28-year naval career.

Start-up costs for a lawn and garden business are relatively low – Murray estimates $5,000 to $10,000 for anyone entering the business – and he was able to adapt various pieces of gardening equipment he already owned.

Murray makes time to explore the garden with a client – every week if that's desired — and to keep them informed of what he has done on each visit. "One very distinctive feature of my gardens," he says with obvious pride, "is a throwback to the Navy – everything must be manicured, trimmed and precise."

Murray also looks after a number of apartment buildings and condominiums, though quite often he finds dealing with management companies more complicated than dealing with individuals. "It's important to make sure that you identify whether the company is administered at the local, provincial, or national level," he advises, "especially if you are tracking an unpaid invoice."

In his truck he carries licenses, course certificates and an impressive photo album of before-and-after pictures of his best garden assignments. Business cards and a cellular phone for accessibility round out his mobile office. Computer records are kept on all his clients' gardens, including dates of mixture applications and what bio-safe products have been applied. He willingly prints out this information for clients on request. Charging by the hour, he bases his calculations on a scale of knowledge, number of clients and machinery costs. As his knowledge expands, he plans to raise his rates accordingly.

In future, Murray hopes to expand to a complement of three: someone for moss baskets, himself doing a bit of everything, and another person to do contract yard work with him. "I would like to someone. It would be good to share what I've learned."

Assessing Your Situation

The expression "business operations" refers to the activities and systems involved in organizing a business on a daily basis. These are summarized in the operations section of a business plan, which covers:

- Location (aspects not directly related to marketing)
- Premises and facilities
- Equipment and methods
- Materials, supplies and sources
- Key personnel and staff
- Professional services and resources
- Management and training

M121

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Organize Physical Space

Why is Location Important?

Zoning ByLaws

Zoning bylaws outline what is legal within a city, municipality or regional district. The three main categories of zones are residential, commercial, and industrial. Zoning by-laws restrict what can happen in each zone with such things as the type of activity, size of building, how close the building can be to the street, parking, the number of employees, amount of traffic, and size and type of outdoor sign.

Do your research on zoning early. Sometimes mixed use is possible, for example a home occupation that meets certain conditions may be permitted in a residential area. Without zoning permission, a home-based entrepreneur cannot legally . Many do operate illegally but risk being closed down at any time.

Today, most municipalities recognize the positive benefits of home-based businesses. Ripple and spin-off effects on the wider community and economy are positive. Home-based businesses are increasingly recognized to fill a particular need in small and rural communities. This recognition has gone a long way to improving relationships between home-based business, the more established commercial business community and municipal governments. Increasing contact and information exchange have led to cooperation among the three groups, as expressed by home-based entrepreneur Richard Morgan about Mission:

"Our Association (of home-based businesses) worked with city council, the city's license issuer, administrator, building inspector, and a couple of aldermen to design by-laws that home-based businesses could live with."

Be prepared with property records and information for this research – street address, and a legal description of the property, if possible. Start at the Planning Department in your municipality. This is where you will be able to find out about your present zoning. Be able to explain exactly what your business will be doing – a description of your Business Concept will be useful here.

Rezoning is possible by applying to a local council. The application process is relatively complicated.

Rezoning often meets opposition and in many places, zoning changes require public hearings – so there are no guarantees that rezoning applications will be approved.

You may do all your research, set up the business legally within current zoning requirements – only to find that the zoning gets changed. Your status then changes to what is called "non- conforming". This means your business can continue to operate, even though it does not conform to or follow new zoning regulations. If such a business stops for a continuous period of six months or more, it generally loses non-conforming status.

Typical bylaw restrictions

The following bylaw example, from the town of Mission in British Columbia (Bylaw No. 1737-1988), has typical restrictions on home-based business use:

Where permitted, accessory home

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occupations:

- Shall be entirely enclosed within a building
- Shall not involve the external storage or display of materials or finished products associated with the home occupation use

Shall not consist of:

- Occupations that discharge or emit odorous, noxious or toxic matter or vapours; heat, glare, noise or radiation; or recurrently generated ground vibrations.
- Occupations that result in traffic congestion, electrical interference, fire hazard or health hazards.

Building Regulations and Codes

The municipal government office – City Hall – is also the place to get information about other by-laws that could affect a home-based business on things like parking, signage, noise and building codes.

Building regulations are important to research if any building has to be done or any changes need to be made to your existing buildings. Plumbing and electrical work may require upgrading. The provincial building code applies across the province. Permits are also needed in different areas for certain kinds of work. Be sure of your basic zoning approval before undertaking any renovation.

Permission and Permits

If you rent or lease your house, certain agreements may be needed between you and the owner. Starting a home-based business in a place you don't own is advisable only with full knowledge and permission of the owner. Look at what's allowed under your tenancy agreement.

A home-based business needs to consider business license requirements, as well as health or other permits – for example, permits from the provincial Ministry of Environment, Waste Management Branch for disposal of hazardous materials, or the local fire department for burning permits.

Most municipalities require and charge a fee for a business license.

Certain businesses – in particular those involving food – require a health inspection and permit. The Health Inspector, an employee of the provincial government, usually works closely with local officials to safeguard the public health.

Typical fees for business licenses

The following extract from the City of Nanaimo By-Law No. 3288 is an example of typical annual license fees.

From every person an annual license fee shall be charged for carrying on any of the following businesses:

Example

Business Classifications

Miscellaneous	
Advertising agency 4803	$75.00
Accounting/bookkeeper 4801	$55.00
Answering service 5090	$75.00
Animal-kennels/grooming 0100	$50.00

Home Occupations

For any of the aforementioned businesses that are classified as home occupation, add $50.00 to the license fee stated for that particular business.

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What about Premises and Facilities?

Premises means real estate. Facilities are buildings.

Physical Space

A business needs an appropriate place to work. Assess the space you have and the space you need.

- What physical space does your business need?
- Is that physical space available in your home, or in buildings on the premises – such as the garage, shop, or shed?
- Will your work space have to share other functions? What effects might this have on both activities?
- Are renovations needed to make available space useable?
- Will any renovations involve upgrading power, changing plumbing or wiring? Do the costs make these renovations realistic?
- Is any new construction required by the business? Researching construction costs in your area should give you a cost per square foot that you can use to guide building decisions.
- Do renovations or buildings require building permits?
- How convenient is the space for delivery of materials, or for a customer to enter and leave?
- Will household noise, smells or activity pose problems?
- Will customers ever come there? Will they be comfortable in the business space?
- What kind of image does it present?
- Can distinct functions of your operation be divided from one another if necessary?

Planning a Work Space

Sit with pen or pencil and graph paper in the physical space you've identified for the business. Draw the workshop or workspace, showing furniture and equipment. Connect those with lines or arrows showing the lines of production, how work flows. Use your drawing to decide on the location of telephone lines, electrical service and plug-in's, lighting and fire-proofing. Production equipment poses special challenges – can you work available space into production and household routines?

Take the time to draw up different layouts for production space, again paying special attention to the flow of production. Will a certain layout mean unnecessary steps in the production process, or have people doing different jobs tripping over each other? If you can't make existing space fit production needs, reconsider every option before trying to make things work in too small a space.

Organizing a Work Place

People often say organization can wait because they think other, more important things have to be done first. When organization waits, success often waits too. If you organize yourself and your work space from the beginning, and you budget the time to keep it organized, your home-based business has a greater chance of succeeding. Your personal stress and frustration will also be reduced. As you get bigger, you get busier, so now is the time to organize.

Ways of getting a home-based place of business organized include:

- Assigning a work space to the business, and reserving it for that use without having to share it with other activities.
- Having a set place for the things you use, and keeping them in that place.
- Allowing time to keep yourself organized. Setting up systems is only a first step. Sometimes people set up systems and are bewildered when the systems don't work. Remember that systems don't work – people make them work. Maintaining systems takes time, energy, commitment, and the belief that in the long run the return is worth it.
- Maintaining good security. An operating rule for a home-based business is "keep your work separate" from the rest of your life. This is one reason that sharing a home-based business space, even with a personal hobby, is not recommended. Keep supplies, inventory, papers, and especially any hazardous material secure. If you develop a new design or invent something, security takes on a different meaning because you want to protect your idea until you develop and market it.

Select Office Equipment

Assess Your Equipment Needs

Consider your own needs by asking:

- What equipment is ESSENTIAL for me to have on site to start this business at home?
- What equipment is NEEDED but not essential for me to have at home?
- What equipment MAY BE OF USE but is not required for start-up?
- What equipment could I USE at another location?
- What equipment could I LEASE rather than buy, so I can update as technology or my business changes?

An equipment list for a new home-based business is generally restricted to equipment that is essential for success. Research will fill out your equipment list with the following information: equipment name, specifications and requirements, sources of new and used equipment, and prices. Standard advice to new home-based business people is to consider leasing equipment during start-up, and to buy second-hand or adapt used equipment. This may be particularly important in reducing the amount of debt a business has to carry in its first years, and ensuring that money is available for operating and not tied up in capital equipment.

Minimal Equipment and Furniture

A filing cabinet, In-Out-file baskets or trays, desk or worktable, good work lamp/lighting and a good work chair are indispensable. Every business has paperwork. The five pieces of equipment named are really pieces of office equipment designed to help you handle paper. Shelving or a bookcase can be an important addition to the basic five.

Look for used equipment instead of immediately buying new. Watch for auctions of office equipment in newspapers, trade journals, and mailings about government auctions such as those from Supply and Services Canada. A list of equipment essentials and wants will help you prepare to take advantage of used equipment sales.

Basic office equipment list

- stapler and staple remover
- paper punch, 2-hole or 3-hole depending on whether you bind papers at the top or the side
- file folders, dividers and labels
- paper clips and clasps
- binders or binder cases
- invoice and receipt forms (commercial or drawn up by you)
- pens and pencils
- paper: working paper, scrap paper and letterhead
- telephone message forms (commercial or drawn up by you)
- magazine storage boxes (cardboard or plastic)
- containers to hold supplies and small equipment

Business Telephone

For some home-based businesses, the telephone is still the primary lifeline to the outside world. If so, get a separate telephone line or system for your business. That expense is tax deductible. Use of a home telephone for business purposes is prohibited by most phone companies. You can also consider a measured meter line which is cheaper than a regular business telephone line. On a measured meter line, you can receive incoming calls with a limited number of calls going out each month. Perhaps more importantly, it automatically gives you a listing in the Yellow Pages.

A variety of different telephone sets and software are available today which allow features like call-forwarding, call-waiting, call-display, one-touch dialing, and so on. Check out these features to see whether the additional cost is worth the convenience. Also check out the competitive long-distance plans available form various suppliers.

We have become so used to treating the telephone like an everyday part of life that we don't always have a telephone style appropriate for business. Most home telephones are answered in a casual way. This can give an unprofessional start to a home enterprise. Business-like courtesy and accuracy are things to aim for in your own communications. Use fairly formal, business-like phrases, for example, "Of course," instead of "Yeah" or "sure". Keep telephone message forms and a pen or pencil near the telephone so you can take messages without interrupting calls. If other people answer the telephone for you, consider laying out how you prefer it to be answered. Explain the appropriate response to standard telephone inquiries, and how you like messages to be taken. Keep these guidelines by the telephone too.

Telephone lines are used to send information or data as well as voices. Fax machines and microcomputers may need telephone lines. If you plan to communicate electronically, research these needs at the same time as you consider different telephone systems.

Cellular phones

The growing networks of cellular phone suppliers are rapidly increasing the use of this technology. Costs of calls have declined steadily through competition. The range and quality of reception and transmission has improved remarkably, and, perhaps the main benefit, the size of the phone set itself has

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For some home-based businesses, the telephone is still the primary lifeline to the outside world. If so, get a separate telephone line or system for your business. That expense is tax deductible. Use of a home telephone for business purposes is prohibited by most phone companies. You can also consider a measured meter line which is cheaper than a regular business telephone line. On a measured meter line, you can receive incoming calls with a limited number of calls going out each month. Perhaps more importantly, it automatically gives you a listing in the Yellow Pages.

A variety of different telephone sets and software are available today which allow features like call-forwarding, call-waiting, call-display, one-touch dialing, and so on. Check out these features to see whether the additional cost is worth the convenience. Also check out the competitive long-distance plans available form various suppliers.

We have become so used to treating the telephone like an everyday part of life that we don't always have a telephone style appropriate for business. Most home telephones are answered in a casual way. This can give an unprofessional start to a home enterprise. Business-like courtesy and accuracy are things to aim for in your own communications. Use fairly formal, business-like phrases, for example, "Of course," instead of "Yeah" or "sure". Keep telephone message forms and a pen or pencil near the telephone so you can take messages without interrupting calls. If other people answer the telephone for you, consider laying out how you prefer it to be answered. Explain the appropriate response to standard telephone inquiries, and how you like messages to be taken. Keep these guidelines by the telephone too.

Telephone lines are used to send information or data as well as voices. Fax machines and microcomputers may need telephone lines. If you plan to communicate electronically, research these needs at the same time as you consider different telephone systems.

Cellular phones

The growing networks of cellular phone suppliers are rapidly increasing the use of this technology. Costs of calls have declined steadily through competition. The range and quality of reception and transmission has improved remarkably, and, perhaps the main benefit, the size of the phone set itself has

become sleek and slim, fitting into a wallet or purse easily.

The best advice on buying and using a cellular phone is to ensure that all the features you are paying for are really beneficial to your business needs and not simply gizmos. You should also evaluate the service contract you have with the supplier. Comparison shopping here can reveal big differences.

Pagers

These rather old-fashioned devices have actually remained extremely effective as ways of staying in touch with the office when on a job or an errand. They are much less expensive to buy or operate than cell phones, and because they often slip onto a belt or a shoulder strap, they are functional for people who frequently work outdoors. Pagers come in three kinds: beepers, numerics and alphanumerics.

Voicemail and Answering Systems

Many people don't like recorded messages and telephone answering machines, but these have become a feature of modern communication. The best kind of message for a home-based business machine is simple, short and to-the-point. Make sure you buy a machine that is voice activated so that clients can leave a message without the frustration of being cut off.

Answering services are more expensive than machines, but as you consider your situation, costs and options, keep your customers in mind. Would a real person answering the phone make a difference? If you agree, remember that a rude and abrupt living voice may be worse than a friendly tape on a machine. Choose your answering service carefully, and regularly call your own number to check for courtesy and accuracy.

Using a voicemail system has replaced answering machines in modern offices. These avoid the problems of tapes running or the machines malfunctioning. Telephone companies offer voicemail features for a small charge per month.

Personal computer

If you haven't used a computer before in your business, you should quickly enrol in an intensive, short course on the basics before you make any computer-related purchases. The instructor will be able to help you make good decisions about an up-to-date system including the types of business software programs which will fit your business needs. However, avoid taking too many classes. Most people learn to use computer programs on a daily basis in their work by having other people show them how to use a particular feature. They may also contract the specialized work to other professionals – such as accountants or desk-top designers.

Areas in which a computer can make a significant difference to a home-based business are:

- computerizing repetitive clerical tasks
- keeping track of expenses and income, including personal money used to cover business expenses
- improving management procedures, customer services and delivery, especially in terms of timing and efficiency.

People with experience in small business computer systems advise that two common mistakes for first-time buyers are that they don't explore enough options before purchase, and they don't spend enough money on their systems to start with. Don't make computer systems decisions on the basis of price alone.

Do enough research, including exploring options, to make sure that the system you buy has the capacity to help your business now and still be useful in the future. Research options for leasing a first computer system instead of buying one.

Modem

A modem is the piece of equipment that lets a computer link with telephone lines to send data over the phone. Using a modem, your microcomputer can send and receive data electronically, over telephone lines. If possible, get the person you buy a modem from to install it. If that isn't possible, research carefully before you buy, particularly regarding the compatibility of the modem with equipment you already own.

Fax Machine/Scanner

Fax machines let you send printed documents, graphics and photographs over telephone lines. They have many uses in small business, from sending orders, to price lists, to product descriptions – quickly and efficiently. For those businesses that don't have a fax machine, access is available at commercial print shops, photocopy shops, even at many convenience stores.

Some fax machines double as photocopy machines, for small numbers of copies, and some are combined with full telephone systems and with image scanners.

Although theInternet has the capability to send pictures and files via e-mail, faxes may still be the only way to send documents that won't scan well into the communications software program that your computer uses.

Photocopier

As with other technology, photocopiers have improved in range and quality, and shrunk in size and price. Minimum cost for a basic business-use photocopier is around $600. A copier should be able to copy on standard and legal size paper, produce clear, clean copies, and perhaps be able to enlarge and reduce images. Expect each additional feature – larger paper, collator, full enlargement and reduction, faster speed – to cause a significant jump in price.

Determine whether you really need automatic multiple copy duplication or can get by with manual feed. Colour print capability will also cost extra but may be necessary for your business.

Materials, Supplies and Sources

Supplies and materials refers to all the things you use to make your product or provide your service. They are one of three main categories of costs, the others being labour/time and overhead. The following steps sum up how to treat "supplies and materials" costs:

- List all the supplies and materials you will need to produce the product or provide the service.

- Estimate how much of each supply and material is needed to provide a certain unit of finished product or available service.
- Consider the total sales you hope to make in the first year of operation, in the same units of finished product or available service. What total amounts of supplies and materials does this annual sales volume require? The cost of supplies and materials is a key figure in financial calculations, including pricing. Even though the final cost figure for supplies and materials will appear in the Finances section of your business plan, the supporting information is usually covered in the Operations section.

Other important aspects of this part of business operations are sources, usually called suppliers, and terms of sale.

- Suppliers do extend credit to their customers, but usually not for at least six months or long enough for a positive relationship to develop on the basis of your sales volume and payment record.
- Supplier credit is not a dependable source of financing for new business starts, although terms of sale may work in your favour as suppliers get to know you. They may offer bulk buying discounts or payment periods of 30 days instead of cash on delivery (COD).

Establish Records and Systems

Records hold a successful enterprise together. As information and paper flow through your business, your records have to trace actions and transactions. Some of this pressure to keep good records comes from legal and tax requirements. Records of expenses and sales are required by law. Record-keeping is also key because without efficient records, time you need for managing may be spent on clerical tasks or wasted looking for misplaced information.

Basic record-keeping systems include:

- Business reference manual
- Filing systems
  - chronological file
  - contacts file
  - main records
  - working files
  - electronic files
  - inventory records
- Financial records, journals and general ledgers

No system maintains itself. Just as a business plan outline is only a framework within which you run your business, record-keeping systems are frameworks that only regular use really establishes.

Use a Business Reference Manual

The research you're doing on a home-based business is hopefully all in a binder or a set of electronic files.

That information and the decisions you make about your business will be organized in two forms – a written business plan, and the business reference manual. Like a scrapbook of things your research turned up, the manual is an ongoing resource.

Standard sections for a reference manual are:

- General Business Information
- Responsibilities
- Communications (e-mail, phone, fax, cell)
- E-commerce

- Travel
- Filing Systems
- Equipment and Supplies
- Client and Customer Information

Set up the binder with dividers or file directories to organize your research into a business reference manual. Some key information will appear both in the business plan and the reference manual. Remember that the purposes of the two business documents are very different – that fact and the instructions in this guidebook will help you decide what information to include in which document. The business plan explains your business but the reference manual houses the information that guides the business.

If you only follow one piece of advice given here, make it this one – set up a business reference manual. Advantages include the obvious ones of keeping key information organized and accessible, plus less obvious ones of making delegation easier, increasing efficiency, and reducing unproductive time. A business reference manual really shows its worth when a business expands, needs to train new employees, or upgrades the skills of existing ones. The supporting materials at the end of this guidebook include some expanded detail on standard categories for a business reference manual.

Decide on Filing Systems to Create Chronological File

Chronological means "in order of time". A chronological file (chron file) is a running record of everything you send out from your business, by date, with the most recent at the front or top. Make an extra copy of all letters, invoices, copies of reports, memos, faxes, or other communications. Maintain a similar electronic system for storing e-mail. Avoid printing out e-mails onto paper. Index the binder with one tab for each month of the year, to keep copies in chronological order by month, or keep each month's papers in chronological order in a separate paper storage box or tray. Start a new chronological file at the beginning of each year. Store a previous year's chron file where you can get to it easily. Consider discarding chronological files after two years.

Like a reference manual, a chronological file will save you more time, energy and frustration than you can imagine. Among its advantages and uses:

- Fast retrieval – often faster than using a main filing system.
- Contacts – you can go through the chronological file and update your contacts and leads.
- Protection – against copies that get lost in the files or go astray.
- Reading file – as part of a regular management review.
- Volume record – you'll quickly know how much is being sent out by month, and how that changes from month to month.
- Drafting replies – either you or someone who helps you with the work can use it as a precedent and reference manual.

Contacts File

Different methods exist to store contact information about the people you interact with. Contact marketing software and e-mail programs have replaced older methods like

revolving card files or index cards. Choose a method that helps you keep track of all the contacts you make in your business so you can keep in touch with them and regenerate business.

Main Records Filing System

Many people don't know how to set up a filing system, which means they end up using files to store papers but they can't retrieve information. The key to good information management is access and retrieval. Whatever filing system you set up has to be one from which you can efficiently retrieve things when you need them.

Office systems experts generally recommend a numbered filing system, in which files are identified by number instead of alphabetically by name. You can add and eliminate files more easily, and filing and retrieval are faster. See Appendix F at the end of the guidebook for an example of a numbered filing system appropriate for a home-based business. This system works well for electronic files too.

Working Files

Working files is a general name for what are also called current, active, or pending files. Keep these a different colour from main records files. Working files can be kept on top of or in a top drawer of your desk or in a special part of a filing drawer. An alternative place to keep working files is at the front of corresponding numbered files in the main records system. The files you need all the time are considered working files. If you use colour to distinguish them, they should be a small number of immediately visible files.

Main records folders should always be kept in the main records system, and should not be taken out, even when you take information out of them for reference or work purposes. Open a new current file for each thing you're working on, instead of taking files in and out of the main records system. A system of signing information out and back in when it is returned to the file can help solve the problem of papers always going astray. This is common when a number of people use the same main records.

Two working files that should be two bright and different colours are Accounts Receivable and Accounts Payable. These are kept apart from all other main records and working files so they can be easily recognized and accessible.

Electronic or Computer File

Maintaining electronic files is easier if a simple system is followed from the time you begin to use your computer for your business. The same general categories used in your main records filing system will keep the two systems cross-referenced. File names, usually restricted to eight characters, are easier to find if they follow a set pattern and are recorded by disk or directory. Use of file name suffixes to designate certain types of files is a common way to separate different kinds of files, for example identifying word processing files as .DOC (for document), to distinguish them from accounting spreadsheet files, identified by .DAT (for data). Make sure that the clock built into most business computer systems is activated, and use it to mark the file with the time and date the work was done.

Inventory Records

A lot of service, retail and business capital can be tied up in stock. Keeping control of that stock is called managing inventory. This can be a time-consuming task but inventory

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records should help. Two methods of keeping records to manage inventory are physical inventory and gross margin. Physical inventory is a counting and listing of the number and value (cost and retail) of all items on the premises. This method is obviously very accurate, but time-consuming. It can be expensive to hire people to take inventory, and a physical inventory might only be done once a year. The gross margin method is an estimate, often done before regular physical inventories. Discuss this method with an accountant or bookkeeper.

Benefits of record keeping

1. ***Good records can help identify the sources of your income*** – You may receive cash or property from many different places. If you don't have records showing your incomes sources, you may not be able to prove that some sources are non-business or non-taxable.
2. ***Well-kept records can mean tax savings*** – Good records serve as a reminder of deductible expenses and input tax credits. If you don't record your transactions, you may forget some of your expenses or input tax credits when you prepare your income tax or GST/HST returns.
3. ***Well-kept records can prevent most of the problems you might encounter if Revenue Canada audits your income tax or GST/HST returns*** – If your records are so incomplete that auditors cannot determine your income from them, the auditors will have to use other methods to establish your income. This will cost you time. If your records do not support your claims, they could be disallowed.
4. **Your records will keep you better informed about the financial position of your business** You need good records to establish your profit or loss, and the value of your business. Information from good records can also tell you what is happening in your business and why. The successful use of records can show you trends in your business, let you compare performance in different years, and help you prepare budgets and forecasts.
5. ***Proper books and records may help you get loans from banks and other creditors*** – Before a creditor gives you a loan, they need accurate information about your current financial position. You can't give them this information if you don't keep organized records. Also, good records show potential creditors that you know what's going on with your business.

Source: Canada Customs and Revenue Agency's Guide for Canadian Small Business

Obtain Insurance Coverage

How Insurance Helps

Most businesses require at least some insurance. Insurance is often required as a condition of a loan from a bank. In a sole proprietorship, having enough insurance is particularly essential because you are personally liable for all debts. Without insurance, a situation could occur where personal possessions and assets have to cover an unexpected business debt or accident. Having adequate insurance is one way a business manages possible risks. Standard advice is to only insure against what you can't afford to lose. Don't pay for insuring what you can afford to risk.

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You will probably already have some insurance. Start with the same agent, because a business relationship already exists. Treat your insurance agent as a professional resource – someone you go to for advice. In this case, you don't have to pay for the advice because agents receive a commission from the insurance companies whose policies they sell. Ask questions until you're satisfied that you know what each policy option covers, its restrictions, and its cost. Be sure to compare options on the degree of protection as well as on cost.

Be honest with your insurance agent – he or she can't give good advice on incomplete information. There is no point paying money only to find that your insurance is void because of some restriction. The goal is for you and the agent to come up with a commercial insurance package that gives you and your business necessary protection.

Different Kinds of Insurance Available

House/Business Premises Insurance

The house insurance you currently hold will probably not cover your business venture. It may not even cover equipment or supplies that you collect in the start-up stage. Upgrading present house insurance to cover business use is a necessary cost of doing business. For example, a fire started in your business area could void your household insurance.

Vehicle Insurance

Cars and other vehicles used in your business have to be insured for business use. Insurance claims may not be valid if a vehicle is involved in an accident under conditions the policy doesn't cover, for example a vehicle insured for personal use being used for business.

Liability Insurance

A standard homeowner's or apartment dweller's policy doesn't protect from personal liability if a person is injured while in a home on business. For a reasonable amount more a year, most policies can be extended to cover injuries to business visitors. This broadened insurance policy will not cover injuries or damage occurring as part of delivering services or selling products off your premises. Insurance to protect you in accidents that may occur away from the home is available at around $200.00. Make sure your liability insurance covers the costs of defending yourself if you are sued.

Business Interruption Insurance (Loss-of-Income)

If your business operation is halted, for example because of a fire in your home, the business bills still have to be paid. Business interruption insurance, also known as loss-of-income insurance, protects you in such a situation. The cost is based on gross business earnings or an estimate (for a new business), and is usually not too high. Usual term lengths are six months and one year.

Disability Insurance

Disability insurance is also called accident and sickness insurance. It can be important protection for a self-employed person, although it is relatively expensive and the payments may not be enough to keep you going in a business in case of disability. Disability insurance protection considerations include:

- how disabled one has to be to receive

benefits

- how long a waiting period there is between opening a claim and receiving the first payment (usually a minimum of three months after an accident)
- how long payments continue.

Partnership Insurance

Whether a partnership is formal or informal, one partner is liable for the actions of another partner. If you have business partners, research options for insurance to protect you against suits arising from an action on the part of other partners. This insurance is expensive and not that common in small and home-based partnerships.

Product or Service Insurance

You can buy insurance to protect you against claims, injuries, or damages that occur in connection with your product or service. This is usually expensive. If something about your product or service makes you think you should have this kind of insurance, tell your agent.

When Filing an Insurance Claim

Accurate records of inventory, business equipment, and supplies are necessary as proof of value of loss or damage on any claim against insurance. Keep:

- receipts of all purchases
- an inventory of things in each room in which you perform any business activity
- a visual record, using a still camera or video camera.

For insurance claim purposes, receipts plus a picture is the best record. Consider storing the record of your insured possessions or a copy in a safe place somewhere other than in your house. This way, if there is an accident your record won't be destroyed. Send a copy of visual and inventory records to your insurance agent for filing with your policy.

Arrange Your Financial Records

You are legally required to keep these records. You need them. Financial records tell an owner/operator how efficiently a business is being run, and where changes may be needed to cut costs, maintain quality, or increase return.

A small business needs to keep track of the following:

- total income and total expenses
- all money owing to the business – accounts receivable
- all money owed by the business – purchases and expenses, accounts payable
- petty cash and bank deposits
- journal and general ledger
- each customer's account (if credit is given)
- equipment and depreciation allowance
- inventory
- payroll record if a business has employees.

Money Coming In

A summary of sales and cash should always be current, using these categories:

- cash receipts, including sales, collections, and miscellaneous income
- cash on hand, money on the premises, cheques, and petty cash
- total sales, cash and credit.

The Accounts Receivable file is the business

file in which to put accounts owing money (those paying in instalments, or at the end of 30 days). It is important to keep this part of the financial records of incoming money up-do-date and active.

Money Going Out

Keep track of it. If paying by cheque, record payments in a cheque book by date, amount, payee and purpose. Mark each invoice with payment information (purpose, cheque number, and purchase order number if this applies). Put these documents in a Bills Paid file kept with the Accounts Payable file in the main records filing system. Keep bills not yet paid together in that brightly-coloured Accounts Payable file.

If your accounts are set up as electronic files, ensure you keep regular back-ups stored on disk, CD, or tape. These should be stored off-site for protection against loss.

Petty Cash Fund

A person starting a home-based business runs the risk of losing any separation between his or her home and work expenses, especially with out-of-pocket expenses. If a business person spends personal money on business items, but doesn't keep the receipts, claim the expense, or get reimbursed from a business account, out-of-pocket ends up meaning exactly that.

This can grow into a problem. Avoid it by setting up and using a petty cash fund. Petty means small. What "small" means depends on how much ready cash you need in the course of business. $100.00 is a reasonable float or starting fund for petty cash. Keep this fund in a box or special drawer or envelope. As payments are made for incidental expenses, such as postage, list the item and the cost, and pay yourself back from the business fund.

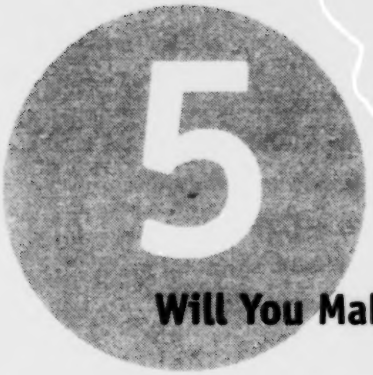
A chronological, itemized list of petty cash expenses per month, without receipts, is accepted by Canada Customs and Revenue. When the fund is nearly gone, summarize the items, file the recorded list, write another cheque for the exact amount expended, and cash it to bring the petty cash fund back up to $100.00.

Journal/General Ledger

The journal and the general ledger are the heart of your financial record keeping system. A journal is a general, original record of financial transactions. Sales and purchases are entered directly into the journal, on a daily basis for businesses with daily activity. For businesses with less regular transactions, entries won't necessarily be every day, but the journal record should always be kept up-to-date.

A ledger is a principal book of accounts into which all transactions are entered into appropriate categories. In a complicated operation, information from separate journals may be combined and entered later into a general ledger. For straight-forward businesses, which most home-based operations are, a journal and general ledger can be combined into one financial record.

In most cases, these "books" can be transferred to electronic forms using a variety of accounting software packages.



Will You Make Money

Custom Business Systems Ltd.

By Dorothy Brotherton

One way to make money is to print your own cheques.. Sound illegal? Not to Jan Gammie of Prince George, a former Yukoner with experience in the clerical support side of gold mining. She found a niche to mine gold right from her own home.

Custom Business Systems Ltd. produces blank manual and laser cheques. These display all the information of a regular bank cheque but cost 10 to 30 per cent less than current bank charges for the service.

"We use accounting packages to produce laser cheques. We take time to ensure our cheques are compatible with a client's software and printers. We can scan in a logo as well," explains Jan. She tests ink on the bank information to ensure it meets Banking and Payments Association standards. "You just can't scrawl any old thing on a piece of paper and call it a cheque," says Jan.

All kinds of equipment line up in Jan's den-cum-business office. Churning out cheques are two computers, two laser printers, one laser colour printer, a scanner, and testing equipment. Cheques are delivered to clients within 48 hours, but orders can be filled within a few hours if necessary.

Jan's partner is her old business college instructor, Pat Norris. "I truly would have been lost without her," says Jan. "She has taught me everything I know about computers and programs. She was also a great confidence builder when at times I found myself at my wits' end."

As electronic payments replace manual cheques, the partners are diversifying their business to create other custom-designed items such as invoices, statements and business cards.

Like any business, a home-based operation must make money to survive. But just how much will you need to get started? Where will this money come from? How much cash must flow through each month to keep the bills paid? And how much do you need to charge to make a profit? These topics are tackled in this chapter.

Of course, many new entrepreneurs have little accounting background and may shy away from making sales forecasts or calculating net worth. If you are one of them, grab your favourite beverage and set aside enough time to work through this section slowly. It will pay you to do so. Even if you won't be doing your own books, you need to know what all the numbers mean in your financial statements. You don't need special math ability or a head for numbers – just the patience to learn some new concepts. Don't try to get everything clear on your first read. Learn what's here and return when you need it. Much of it will become clearer as your first year unfolds.

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Understand The Basics

Starting vs. Operating

If you are considering a home-based business and need money, what you are looking for first is start-up capital. Capital in business means money. Funding needed to run a business, to keep it going once started, is called operating money or working capital. Start-up capital and operating capital are totalled separately for purposes of business finances. Begin to think about them separately now, each one representing a different stage in your business development.

Start-up capital is the total amount of money you need to open your doors for business, and to keep them open until sufficient revenue can be depended on. Operating capital is the amount required to keep the business going after the start-up. It includes salaries, wages, rent, expenses, supplies, utilities, advertising, depreciation, and interest payments. Small business advisors recommend that start-up expenses include at least six months operating capital, because even though revenue will come in during that time, the start-up phase also brings with it unexpected expenses.

A common problem for small businesses is underestimating how much money is needed, especially for operating. The result is additional stress after start-up, cash not coming in when it is needed, and making do with insufficient capital. This is easy to understand, because no person or business wants to carry the costs of unnecessary debt. Insufficient operating capital is a pitfall to avoid.

Obtain Start-up Capital

Your Own Money

Most lenders want to know that a business person has invested some personal assets into the business. This translates into ownership, called equity. That investment can come from:

- Selling personal assets
- Cutting current personal and business expenses in order to make money available
- Drawing on savings
- Using credit cards to get cash
- Borrowing against life insurance
- Selling holdings or investments
- Cashing in bonds or savings plans
- Increasing a house mortgage
- Keeping a job and using a portion of the other salary for the business

Business jargon

When you launch a business you'll access two different types of funds (capital) which are handled separately for reporting purposes later.

Start-up capital **– This is the total amount of money you need to open your doors and keep going until a regular supply of revenue comes in. This money is a one-time only expense.**

Operating capital **– Once launched, you'll need money to pay rent, supplies, utilities , advertising, depreciation, interest payments and so on, including wages for everyone involved.**

Friends and Family

Even with scrimping, saving and careful management, you may not be able personally to provide the financing your business needs. The first source of borrowed money is usually

Understand The Basics

Starting vs. Operating

If you are considering a home-based business and need money, what you are looking for first is start-up capital. Capital in business means money. Funding needed to run a business, to keep it going once started, is called operating money or working capital. Start-up capital and operating capital are totalled separately for purposes of business finances. Begin to think about them separately now, each one representing a different stage in your business development.

Start-up capital is the total amount of money you need to open your doors for business, and to keep them open until sufficient revenue can be depended on. Operating capital is the amount required to keep the business going after the start-up. It includes salaries, wages, rent, expenses, supplies, utilities, advertising, depreciation, and interest payments. Small business advisors recommend that start-up expenses include at least six months operating capital, because even though revenue will come in during that time, the start-up phase also brings with it unexpected expenses.

A common problem for small businesses is underestimating how much money is needed, especially for operating. The result is additional stress after start-up, cash not coming in when it is needed, and making do with insufficient capital. This is easy to understand, because no person or business wants to carry the costs of unnecessary debt. Insufficient operating capital is a pitfall to avoid.

Obtain Start-up Capital

Your Own Money

Most lenders want to know that a business person has invested some personal assets into the business. This translates into ownership, called equity. That investment can come from:

- Selling personal assets
- Cutting current personal and business expenses in order to make money available
- Drawing on savings
- Using credit cards to get cash
- Borrowing against life insurance
- Selling holdings or investments
- Cashing in bonds or savings plans
- Increasing a house mortgage
- Keeping a job and using a portion of the other salary for the business

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family, relatives and friends, who as a group make up more than 50 per cent of the loans to home-based businesses. Such loans have the same requirements and pitfalls as all debt situations – and then some. Always get agreements about loans in writing to save later misunderstandings and bad feelings. Make sure that all loans, including those with family and friends, are set up with:

- Proper security (explained below in Collateral or Security)
- Any terms or conditions
- Payment schedule

A payment schedule shows when payments will be made on both the principal (the amount borrowed) and the interest (the amount it costs to borrow the principal). In some cases, your family or friends may be willing to lend you money interest free, or to lend money without repayment until the business gets going. Still prepare a payment schedule, showing payments deferred or put off until that point. Keep your financial backers, including friends and family, informed of your business's financial picture on a regular basis.

Lenders and Financial Institutions

Banks, credit unions, and financial institutions like trust companies lend money to individuals and to companies. A loan to an individual is a personal loan. A loan to a business is a commercial loan. Conditions and terms, including interest rates, differ for the two kinds of loans. Depending on the amount of risk associated with a new business venture, a banker may only be willing to give a personal loan. Home-based and new business people are generally considered a poor risk by lending institutions, both because of the 80 per cent failure rate for new business starts, and because the loans needed are often small. A mortgage on a house and property is often required, at least until a business gets established. A personal loan is common in home-based business start-ups.

Your spouse or partner may be unwilling to put up shared possessions to secure a home-based business loan. You may feel that this refusal to help you realize your dream means lack of support. If that lack of support is real, it could contribute to business failure anyway. Better you know about it before you get a loan rather than after. It may also be true that your family needs basic security to feel confident and to be able to give you their support.

Each source of funding has guidelines and conditions a business has to meet to get assistance. The guidelines are called "criteria". If you apply for funding, the first thing the program officer does is check to see if the application meets the criteria. If your business doesn't meet the criteria, no matter how good the plan is that supports your proposal or application, it can't be considered. As part of your research, get information about such funding sources and review them as possible sources of financing. Pay special attention to the criteria so you only consider those opportunities where your situation fits the guidelines. Otherwise you'll be wasting your time.

Secure Operating Capital

Equity Financing

Equity means *ownership*. With equity financing, a lender makes money available for use in exchange for an ownership share in the business. This could be as a silent or limited partner (not actively involved in the business) or as a shareholder. Whether equity financing is possible or a good option depends on the business structure and relationship between the borrower and lender.

Debt Financing

With debt financing, the lender charges interest for the use or "rental" of money loaned, but does not get a share or equity in the business. Debt financing is familiar to most people because it is the basis of most personal credit.

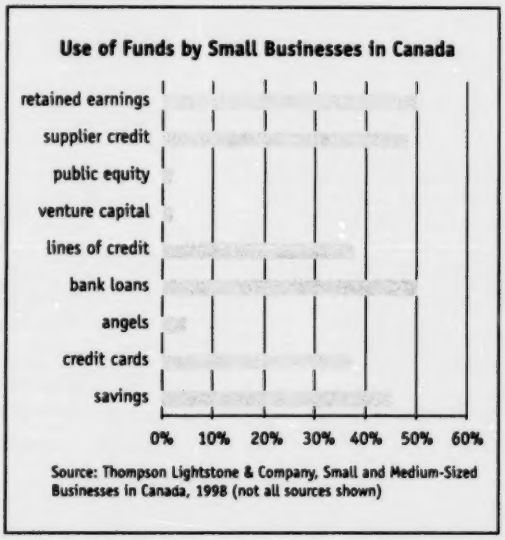
A line of credit – common in business – is a type of debt financing. With a line of credit, a bank gives a business an upper limit to which it can borrow, for a set interest rate. The business doesn't get the loan in a lump sum, but draws on the line of credit for funds as it needs them. Interest is only paid on the amounts borrowed. A line of credit can be an important tool for coping with cash flow problems. It may also be the only financing arrangement that a home-based business needs as a back-up for operating capital, although this is not as likely if investments are needed in machinery, equipment or inventory.

Collateral or Security

Collateral is what you have to put up to secure a loan. This security reassures the bank or other lender that if circumstances make it impossible for you to repay, the lender has the right to take some identified thing that covers at least part of the value of your loan. As you consider different kinds of financing and research what is available, pay attention to the collateral each requires. The usual collateral for home-based business loans is mortgages and personal guarantees.

Handling Loans

If you successfully get a loan, make it a rule of business to keep your lender informed about business developments. Even if things don't go according to plan – and hardly anything does – better that your lender knows how things stand before you need help. The better the relationship between a business person and the bank or other lender, the better the business's chances of getting advice and possibly an additional loan in a marginal situation.



Seek Additional Funds

Don't wait until your business plan is finished before you go and talk to people at lending institutions. When your business concept is fairly well developed, and you know generally what your financing needs will be, make

appointments with several lenders to talk about a business. Get information about different kinds of loans and interest rates or rental charges for borrowing money. This is important research even when you plan to get necessary financing from other sources.

Shop Around for Best Deals

Banking is a business just like any other business. There are very real differences between what financial institutions offer. Keep good records, and use these first interviews to "test the waters" and to get a feel for how later meetings with lenders may go.

If the lender – for reasons of its own – would never give you money for your particular business idea, better that you find out now than later. Loans officers at banks can help you assess your business idea, too. If people you speak to express reservations about some aspect of your plans, consider that input carefully. These contacts have experience you can use. If bank contacts are generally positive, you can feel reassured that you're probably on the right track.

Go Well Prepared with Questions

Contacts at financial institutions will only be able to provide such feedback if you are well prepared with certain questions you want answered. Being well-prepared doesn't mean waiting until you are in need of the money. It means knowing what questions you need to research at this early stage of your business development.

Use the following questions to guide general research on financing options:

- Is a certain balance required in a business account before a loan can be considered?
- Will the lender give the business a line of credit? If so, what are the requirements and conditions?
- What are current interest rates for the line of credit and other types of loans or financing to be considered?
- Does the lender have limitations on the number of small loans it grants or the types of businesses to which it gives loans? If so, what is the current situation?
- What is their policy on the size or description of cheques deposited in your personal account to be held for collection?
- Will cheques under that size be credited immediately to your chequing account balance?

The last two questions are important because if you don't have a business account and credit references, the lender may hold *all* cheques for collection until it has some experience with you and your account. This can affect the money you have available and your cash flow – because you can't count on using money from these deposited cheques immediately.

The buck starts here...

Rod McQueen in *The Last Best Hope: How to Start and Grow Your Own Business* (1995) advises the following when approaching lenders:

1. **Right church, wrong pew – Don't waste time on lenders or investors with no power, no money, and no prospect of ever having either.**
2. **One shot – You've only got perhaps two or three minutes to create a positive impression. Be enthusiastic and clear.**

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3. **Wear their shoes** –Every investor wants to know clearly how much is in it for them – offer excitement as well as repayment.
4. **Research and listen** – Bone up on banker's lingo and what lending programs are available. Talk their language.
5. **Ask for the business** – Know exactly how much you want and what exactly it will be used for. Don't ask for the moon.
6. **Be truthful** – Just like you would be to the tax auditor.

Evaluate What You Discover

You may be told that policies are not rigid, that every case is different, that without more information your question can't be answered or possibilities assessed. Don't let this put you off. Such answers don't mean your visit was a waste of time. You will have an improved sense of the people at each institution, and you'll be able to compare information you get from different lenders.

If your sources of income are yourself, family and friends, use the information you get by researching financial options to get an accurate feel for the marketplace. Influenced as it is by interest rates, time spent researching finances is worth the gains in experience and understanding of the business world.

Seek Professional Advice

If you can only afford professional advice on selected aspects of your business, make financing one of them – especially if you plan to borrow money. Use your research skills to get as much information as you can. Prepare to get the most out of professional advice by being able to ask exactly what you need to know.

Bring a Financing Proposal Package

If you decide you need a loan, your financial plan moves to center stage. That part of your business plan is explained in detail below. Make sure you are familiar with every part of it. From the complete Financial Plan create an outline of your financing needs, before you go to a lender with a proposal or application for a loan. Think of this as a financial proposal package that helps you go prepared with the following key points of information shown separately:

- The specific loan and term being requested.
- What it will be used to purchase – such as capital assets like machinery and equipment; fixed assets such as a building; home renovations, vehicles or inventory.
- Your amount of equity in the business, and investments by partners, friends or relatives (ownership indicates commitment).
- Cash flow forecasts to detail the amount and timing of cash use.
- Contact names, addresses and telephone numbers for the lending institutions and professionals you deal with (accountant, lawyer, bookkeeper, business advisor, etc.)
- A personal net worth statement (assets vs. debts) to support a personal guarantee.
- Copies of letters of intent, commitments and potential orders.
- Photocopies of your insurance policies, legal agreements and appraisals.
- Copies of price lists to support cost and sales estimates (Note: always put wholesale and retail prices on separate pages).
- Any appraisal of fixed assets (such as property and buildings).

Feel and Look Confident

A lender looks for four things in any loan or financing application:

1. **Character** – Are you the kind of person who pays your bills? Are you reliable? Can you run the business?
2. **Credit** – Do you have a good credit rating?
3. **Capacity** – Can the business generate enough to pay the lender back?
4. **Collateral** – Do you have things of value which can be used to secure or guarantee a loan?

These things help a lender decide whether or not you and your business are a good risk for a loan. The business plan is your key to convincing a lender that you are a good risk. Consider revising your financial and business plan if the feedback you get suggests you need to. Keeping your goals in mind will keep you from getting discouraged.

Failure to get a loan will not prevent your start-up. You may need to change your time frame, but if you're determined to reach your goals through a home-based business, you'll find ways to obtain money. If you can't get credit, then maybe you'll have to earn the money some other way – such as by postponing your business start-up until you have enough money, or scaling down the business, or finding ingenious ways to reduce the amount of start-up capital you need.

Compose a Financial Plan

The financial plan is the business person's answer to the question, "Will the business make money?" If you don't have a good calculator, now is the time to buy one.

Don't take a flyer!

The Online Small Business Workshop (Session 4) **offered by the Canada/British Columbia Business Service Centre gives this warning:**

An experienced pilot does not fly a risky mission without a detailed, well-researched flight plan. Yet people everyday, with minimal business management experience, try to operate businesses without active business plans. "Taking a flyer" on a business venture is no less a life and death hazard for you, your family and your friends, than flying that dangerous mission in a mall plane.

Make no mistake, when you start a business, your home life, your family life and your marriage are on the line, front and centre.

Prepare Financial Statements

Financial statements is a general name for the different ways businesses present money information. The information actually presented in financial statements is quite straightforward, although there is a lot of it, called by various different names. The approach in this guidebook is to introduce and explain the main statements in a complete financial plan. Few home-based businesses will need them all, at least not in the start-up stage, but a basic understanding of all key financial aspects is a definite business asset when launching a business that is expected to grow.

Financial statements covered in this part of the business plan are:

- Estimated market share
- Sales forecast

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- Costs of production or services
- Supplies and materials costs
- Operating expenses – non-labour and managerial labour
- Capital equipment
- Start-up expenses
- Income and expenses
- Cash flow
- The balance sheet (net worth)
- Break-even analysis
- Sources and uses of financing

Financial statements give information of two main kinds. One kind is figures about your business and situation as it stands now. An example of this kind of financial statement is the balance sheet (see Appendix L).

The second kind of financial statement is one that looks into the future and makes a "best guess" about some part of the business's finances – sales, expenses, revenue. These are called "projections", "forecasts", and "estimates". Most of the financial statements supporting a business plan are of this type, "best guesses" or informed "guesstimates" – for example cash flow projections, projected income and expense forecasts, and estimated market share (see these sections of the financial plan, below).

Worksheets that show calculations and figures may be attached to a written plan as supporting appendices. The business plan itself, though, usually contains only the final or most relevant numbers from calculations and financial statements.

To make the most of a financial plan – and to actually manage it instead of having all this data become divorced from the real life of the business – you have to take the time to compare your estimates and forecasts with what actually happens later, analyze reasons for differences, and adjust future forecasts in response. This dynamic use of business information can sharpen the edge that good research and planning gives, strengthening a new business's ability to compete successfully over time.

For more information

A companion guide to handling financial matters for small business owners is available in the series Solutions for Small Business.

Called *Business Planning and Financial Forecasting* the guide is available from the Ministry of, Small Business, Tourism and Culture.

The guide can be downloaded from:
www.sbtc.gov.bc.ca/smallbus/publications

Estimate Your Market Share

Market share is the portion of total sales in an area that each competitor holds. Work done in the marketing section helped establish your target markets, by region and by groupings of potential buyers in each region. The financial section uses these figures:

- Total sales – the number made and the dollar value – in the trading or market area, for similar products or services. (While this may have to be an estimate, a surprising amount of marketing information is available and may be found through your research. Look in business magazines and publications specific to your industry such as standard trade journals.)

- Costs of production or services
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- Estimates of market share of your main competitors (this can be given as a percentage of total market share).
- Estimates of market share projected for the business, for each of four quarters (every three months) in the first year of operation – include two figures, the number of items and the dollar value.

Forecast Your Sales

Forecasting sales is the starting point for financial projections, and the basis of business budgeting. List all the products or services your business plans to sell, and the units of sale for each. Units are set by the business. A unit for an adventure tour company may be one package tour of two weeks. For a craftsperson, a unit may be one wooden item. A unit for a service provider such as a researcher could be one hour of time, or a completed contract. Beginning to think in "units" is part of learning to work with the building blocks of financial forecasting. Decide now – if you haven't already – what the sales units are for your business.

A sales forecast can be done for your total sales – the number and dollar value of units the business hopes to sell in the first year. If you have identified two or three MAIN target customer groups, a more useful approach may be to forecast sales separately for each of these target groups.

For each product/service and customer group, making a sales forecast involves monthly estimates for a year:

Number of units sold (sub-totals for target markets and one overall total)

Sale price per unit (worked out as part of pricing, see page 45)

Total sales (number of units sold multiplied by sale price per unit)

A business doesn't do just one sales projection, unless it only has one product and one target market. Marketing is usually more demanding of a business. Your sales forecasts will end up totalling a final number of units and a dollar amount that the business expects to sell, but this should be made up of separate projections for each product/service and each main target group.

If you are trying to do a sales forecast for a business that you haven't started yet, industry information from your research will be a guide to sales forecasting. Look for recent figures for average industry sales, or average sales for firms similar to yours. If industry information isn't available, use your ingenuity. Consult someone connected to the industry who can at least help you make a "best guess" for sales. Use information you can obtain on similar businesses in related industries.

Scrutinize Your Prices

The three ways to set prices are:

- Pricing to the market
- Cost approach to pricing
- Break-even approach.

These were introduced in Chapter Three. Pricing is so key to success that some additional introductory information on pricing as it relates to business finance is included here.

Effective pricing depends on business goals. Do you want to maximize profits, or do you want to go for high growth in sales? In the first case, you may choose to emphasize quality and service on high-priced items for a target market that wants quality and will pay for it. In the second case, you may want to emphasize high production and high sales volume levels, keeping prices low. These two ends of a market – the high end and the low end – may both be part of your marketing strategy, but the ways you use to reach each may be quite different.

Home-based businesses selling a standardized product usually go for growth. They price according to the market, because the markup on each item is low. Specialty consulting and professional services or high- tech firms are more likely to aim for higher profits on each sale, setting a high price to cover research and development and to establish a more secure market niche. In high tech areas particularly, there is no such thing as a "secure" market niche. Competition moves in as quickly as technology changes, so in this field, basing a marketing strategy on volume sales over time just doesn't make sense.

Pricing to the Market

Pricing to the market carries with it some dangers. These include underpricing in order to compete or make sales. The following pointers may be useful:

- *Check out assumptions about true costs.* Use competitors' prices to establish the price range for similar products or services, but don't underprice. If your true costs are higher, your final prices will be higher. Competitors may have access to lower priced raw materials, perhaps because of a long-established supplier relationship or volume discounts. If your true costs include certain features or services that competitors don't offer, they are justified business costs and have to be covered in price. Service is a feature that many home-based businesses choose to compete on, because they don't make the volume of sales that allows discounts or special sales terms.

Check how the competition reacts to your entering a market. Be prepared for prices to change, and have a back-up plan in place for your own pricing. Pricing means more than setting a price once – it means watching your prices in relation to sales and to the competition in the market, and then making necessary changes in a timely way.

The Cost Approach to Pricing

Common mistakes of small businesses, home-based as well as others, in this area include:

- Costing materials at original prices rather than at the cost of replacing them. Use replacement costs in all financial work.
- Not including salaries. Figure out how much it would cost to hire someone to do what you are doing. That is a business expense. Charge it as a business expense, even if payment to yourself has to be deferred.
- Not including interest your money could have earned if it had been invested, for

example in Canada Savings Bonds, instead of in your home-based business. This loss of potential income is too often not considered as a real cost of doing business. Include it.

- Forgetting to make allowances for refunds, future servicing, paying down the debt on equipment or machinery – including partial repayments of principal as well as the usual interest charges – and loss because of bad debts. These possible costs are ones that an accountant or a bookkeeper can help you identify and include in business finances.

Break-Even Sales Pricing

Break-even pricing runs a risk of underpricing. For example, if your break-even price turns out to be the same as a competitor's price, and you are pricing to the market, your sales will not include any profit/return to you or to the business for growth. Including costs of labour and time, in this case yours, partly as a cost of production and partly as an operating expense (salary) is necessary. However, it does not guarantee a profit. Your business goals are important here. You may decide on a short-term strategy of break-even sales pricing, to gain recognition and market share, before moving to a cost approach that doesn't just break-even but builds in a return to the business.

Break-even price calculations are only as good as the information you start with. Good business planning and management includes learning to trust your business information because you know it's accurate, or you know exactly which figures deserve caution because they are "guesstimates". Many experienced business people call this "trusting your intuition". Business intuition will get stronger with experience.

Calculate the Costs of Production or Services

Another business term for this financial category is "cost of goods sold". It's just as important to know an accurate cost for providing a service as it is to know the cost for products.

The section on pricing in Chapter 5 introduced three main categories of costs:

- **Supplies and materials** (variable because they depend on how much you use)
- **Operating** (fixed because you have to pay these costs regardless)
- **Time and labour** (staff and your own)

These costs are usually figured on separate worksheets, with totals from those sheets used for other financial projections such as break-even analysis. The instructions below figure costs in each category separately.

Supplies and Materials Costs

- List all the supplies and materials the business needs to create its product or service.
- Estimate how much of each supply and material is needed to provide a certain unit of finished product or provide a unit of available service, plus the cost. You can also divide total annual supply and material costs by the total number of units to find the per-unit cost.
- Consider the total sales you hope to make in the first year of operation. Estimate the number of units you hope to sell, and calculate the total annual supply and material cost to achieve that level of sales.

- Include packaging and delivery costs and the cost of bad debts/returns (three to five per cent of the value of sales). Divide this total by the number of units to be sold for the year.

The two sets of figures you will have at the end of these calculations are:

1. **Total supply and material costs for one year.**
2. **Supply and material costs for producing one UNIT of each product/service.**

If you order enough supplies and materials in bulk for a year, you may be able to save money. How could you handle storage? Would the saving be worth putting out that much money at one time, at this stage?

Operating Expenses – Non-labour

Operating expenses excluding the cost of labour are called overhead or fixed expenses because these things usually must be paid regardless of sales. These standard business operating expenses are:

- Rent
- Utilities – telephone, power, services
- Car or other vehicle
- Transportation
- Supplies (office)
- Maintenance agreements (photocopier, vehicle)
- Advertising and promotion
- Legal/accounting
- Insurance
- Interest and bank charges
- Depreciation (decline in value of assets because of use)
- Managerial salary
- Other

Adapt the list of standard costs to your situation, and prepare a table of operating expenses – non-labour, by estimating these costs for each month of the year of operation being forecast.

Forecasts about costs of production – non-labour – will give these figures:

- Total sales of each product and costs (supplies/materials and overhead) for the year of operation.
- Monthly totals throughout that year (total sales, monthly costs of supplies/materials and overhead).
- Product/service totals for each month and for the year (total sales of each product or service, supplies/materials and overhead costs).

Operating Expenses – Labour

Salaries are a main labour cost, but related operating expenses must be calculated too, such as benefits and taxes. By job title, list all the employees or staff needed to produce the sales volume you have forecast for Year One. Enter the total salary or wage for each employee for each month. Adding these gives you total operating expenses – labour for each month. Adding figures for each month will yield a total for the year.

The three types of payroll taxes are Canada Pension Plan, Employment Insurance, and Worker's Compensation Insurance. Information about these is available from related Government of Canada offices.

Benefits can include medical/dental, insurance, vacation pay (four per cent of salary for part-time workers). Monthly costs of all such benefits appear in this financial projection. Amounts paid once a year can be divided by 12 and costs spread equally over each month.

The table of figures you will have at the end of these calculations gives total monthly labour costs, and one total cost for all labour for the year.

List Your Capital Equipment

Capital equipment in a business means all assets with useful lives of longer than one year – such as machines, equipment, vehicles, furniture and computers.

Capital equipment, as assets in your business, has value that Canada Customs and Revenue Agency recognizes will decrease with use. This loss in value on capital equipment is called depreciation (the equipment is said to depreciate or lose value). To work out depreciation on capital equipment, take the original cost of equipment and divide it by the useful life in months. For example, a machine costing $18,000 has a useful life of five years (60 months). Therefore, the machine's monthly depreciation is $18,000/60 = $300. This figure is called a depreciation allowance on capital equipment. Contact your nearest office of Canada Customs and Revenue Agency to get current information on allowable depreciation amounts for different types of assets.

The capital equipment section of your financial plan should have:

- A list of all capital equipment required to start the business.
- Estimated costs for each piece of equipment, new and used (as you do your research, compare your estimated costs with actual costs).
- Sources of equipment.
- The useful life (in months) of each piece of equipment.
- Monthly depreciation (cost divided by useful life in months) of each item.
- Total capital equipment costs and total depreciation on equipment.

Determine Your Start-Up Expenses

Expenses and costs are the same thing. All costs related to getting the business to the point where you have something to sell are summarized as part of start-up expenses. These start-up costs are figured separately from operating costs, which take over once the business opens its doors.

Many new businesses underestimate the amount of capital needed to operate and overestimate sales in the first months. An important piece of advice is to extend the start-up period to cover up to the sixth month of operation. Sales may be slow after start-up. Be realistic about the point at which the business can reasonably be expected to generate significant sales.

Start-up costs include:

- **Equipment and furniture,** also called fixed assets (capital equipment).
- **Supplies and materials** (Note: this is only for start-up – to get your doors open – not for the whole first year of operation).
- **Inventory** – stock or product ready to sell on the first day of business
- **Fees** associated with setting up the business

– including professional fees (such as legal and accounting), charges for producing the business plan (such as desktop publishing and printing), and costs of securing financing.

- **Research costs.**
- **Licenses and permits**, such as business license
- **Deposits** for public utilities and telephone.
- **Any renovations** (leasehold improvements).
- **Marketing plan costs,** including advertising, promotion, publicity, and communications – especially for grand opening and special opening promotions.
- **Memberships and subscriptions.**
- **Labour costs** for any employee or staff member.
- **Operating money** – enough to carry you and your business for as long as it takes to reach a break-even point. Be realistic about your break-even point – and consider a longer start-up period (up to six months) before you expect significant operating revenue from the business.
- **Contingency money** – a cushion for the things you overlooked or can't predict.

Prepare an Income Statement

The income statement is a way to figure out profit or loss, before income tax, for each month and for each year of operation. Projected income statements are usually done by month for the first year of operation, and by quarters (three month blocks) for Years Two and Three.

Costs of production + Operating expenses + Depreciation = Total operating expenses

To forecast business income, you need these projections, covered above, for each month: sales, costs of production, operating expenses (labour and non-labour/overhead), depreciation on capital equipment. (Each of these was discussed above).

Sales – Cost of Production = Gross margin

For complete financial projections, you will also need to work out a figure called gross margin. Gross margin is the cost of production subtracted from sales.

Gross margin – Total operating expenses = Net profit (net loss) before taxes

To find net profit or net loss (before income taxes) for each month, subtract total operating expenses from Gross Margin.

See Appendix J for example of an Income Statement.

Project Your Cash Flow

A cash flow forecast or projection shows how money will come in and go out each month over a period of time, typically a year. Cash flow is the lifeblood of a business. Money coming in is shown as revenue, money going out as expenses. The two together show how cash flows through the business. Expenses and revenue are listed fully in the month they are expected to occur. A cash flow forecast shows when the business may have money going out but none coming in, so it is an important management tool. You can use it to monitor actual expenses against planned expenses. You also use it to anticipate and budget for coming expenses. Just as with sales forecasts, cash flow forecasts are usually done for Years 2 and 3 by quarters.

Cash coming in is called cash receipts. Cash going out is cash disbursements. For cash flow, these are estimated and monitored on a monthly basis. If cash receipts are greater than cash disbursements, the business has a positive cash flow. If the flow goes the other way, with more money disbursed than received, the business has a negative cash flow. Negative cash flows are shown in brackets like this ($2,315). Cash flow projections total the value of ALL cash receipts and ALL cash disbursements for each month in a 12-month period.

Cash Receipts

Money In: cash sales, accounts receivable, loans outstanding, petty cash. For the cash flow statement, you need TOTAL CASH RECEIPTS.

Cash Disbursements

Money Out: purchases, salaries, payroll taxes/benefits, rent, utilities, capital equipment purchases, accounts payable, loan payments (interest/principal), owner's withdrawals or dividends. For cash flow statements, you need TOTAL CASH DISBURSEMENTS.

Total Cash Receipts – Total Cash Disbursements = Cash Balance

For the cash flow statement you can drop and add different categories of cash receipts and disbursements so the format fits your business.

To prepare cash flow projections for the first year of operation, consider how much the business is probably going to spend in each category, and pencil it in. A cash flow statement for a year is a table with a column for each month and a row for each cash category, in and out. (See Appendix K for a sample Cash Flow Statement). Pencil is recommended because using cash flow statements to manage involves comparing these estimates with actual cash flow.

Actual cash flow statements (not a cash flow projection, but a record of actual business finances) are prepared at the end of each month of operation. The figure to begin with in an actual cash flow statement is the "beginning cash balance" – the amount the business starts with at the beginning of the year being projected. A monthly beginning cash balance is the starting point for each month's cash flow figures. After the first month, this figure is brought forward from the previous month as the Cash Balance.

While the arithmetic is not difficult, you can see why getting organized from the beginning is so important in a business.

To use cash flow projections and statements to manage finances, compare the first month's estimates with actual cash flow. Adjust subsequent months according to what your comparison shows. Here's where you will be glad you used pencil to record estimates. Keep copies of the original projections, so you have an accessible record of cash flow estimates and statements. If you tend to overestimate or underestimate certain figures (or suffer a cash crunch at the same time each year), these patterns will be evident in comparisons over several years of financial projections with actual statements, particularly for cash flow.

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Common mistakes

Avoid these typical problems by seeking help from others including your professionals.

- Waiting too long to start planning and so needing money in a hurry.
- Under-estimating how much money will really be needed.
- Failing to assess the weaknesses of the business and include these in the business plan.
- Over-estimating sales and cash-flow projections beyond industry standards.
- Padding business plans with words and charts to make up for lack of financial calculations.
- Failing to research the lender and so presenting proposal to the wrong person.
- Sending the plan too quickly to all potential lenders rather than tailoring it to one and learning from the feedback.
- Negotiating only interest rates and fees instead of all aspects of the loan including terms of repayment, prepayment, covenants, and other conditions.
- Failing to maintain regular communication with lender and not providing updates or progress reports.

Source: KPMG's Financing for the Growing Business.

Access this at **strategis.ic.ca/SSG/mi04656e.html**

Prepare a Balance Sheet

The balance sheet shows the balance between business assets and liabilities, plus your business's net worth – what you have invested. A bank requires a balance sheet to evaluate what the business owns, outstanding loans and the capital you have invested in the business. The balance sheet consists of a list of your assets at your cost, your liabilities or debts, and your equity or ownership in the assets. It is a snapshot of your business frozen at a point in time – that's one of the reasons that the date is usually included in the heading on a balance sheet. See Appendix L for a sample Balance Sheet.

The Balance Sheet is organized as follows:

ASSETS: Things of value that you or the business own

- ***Current assets:*** these include cash, inventory, prepaid expenses, and accounts receivable – money the business has or is owed
- ***Fixed assets:*** items with a useful life over one year. In accounting terms, these are investments, not expenses, which is why they appear in the balance sheet and not the income statement. The fixed assets category on the balance sheet also includes the depreciation allowance, worked out as part of a capital equipment deduction.

LIABILITIES: Debts – money the business owes

- ***Current liabilities:*** financial obligations you must meet in a year, such as federal and provincial taxes owed, accounts payable or outstanding unpaid bills
- ***Long-term liabilities:*** mortgages, bank loans, equipment leases – any liability for which payment continues longer than a year.

Common mistakes

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- *Long-term liabilities:* mortgages, bank loans, equipment leases – any liability for which payment continues longer than a year.

NET WORTH: The balancing mechanism between assets and liabilities – hence the name balance sheet;

- Net worth is your equity, money you have invested in the business.

Assets – Liabilities = Net Worth

List Your Sources and Uses of Financing

The *Statement of Sources and Uses of Financing* has a place in business startup and in expansion. It is often included in a written business plan because it is such an important piece of information about the business. It can be presented on one page, with sources of financing at the top and uses of financing summarized at the bottom.

Sources of Financing

This part should include:

- *A list of all owners, investors and shareholders.* Beside each, give the total value of equity, broken down into two other figures, cash contribution and non-liquid asset contribution. Non-liquid assets means assets that cannot easily be turned into cash, such as capital equipment.
- *A List of all lenders from which the business has or hopes to arrange financing.* Name lenders, amount of financing, and payment periods for short-term and long-term loans from banks (business loans and personal loans) and government program loans.

Then add these two categories together to produce totals.

Uses of Financing

List the uses of financing with amounts and totals. These could include:

- Land
- Buildings and facilities
- Equipment and machinery
- Re-modelling and renovations
- Initial inventory
- Working capital (for operating expenses)
- Non-liquid assets contributed by owners

(Note: The total amount in Uses of Financing *should be the same as the total for* Sources of Financing.*)*

This chapter on business finances has introduced you to a number of terms and ideas, many of which you could be learning about for the first time. As a new business person, take the time you need to become familiar with these. Concentrate on the things that are important now at the current stage of your business development. You can check back for other financial information when you need it.

In addition, the supporting materials at the end of this manual include examples of the most common financial forecasts – Income Statement, Cash Flow Projection, and Balance Sheet – required in a business plan.

Can You Manage the Business?

Suburbia Studios

By Marianne Scott

The kitchen table is an integral part of Suburbia Studios in Tovey Bay on the outskirts of Victoria. About $1.5 million per year is billed from that table by owners Mary-Lynn and Russ Willms

The kitchen table wasn't always part of the office furniture. Russ quit his position as a busy art director so he could play Mr. Mom and take care of their two youngsters. Mary-Lynn joined him six months later, leaving a high-powered account manager job when her mother was diagnosed with cancer. "Family values are a big part of our decision-making and we wanted more time," explains Mary-Lynn.

Since then Suburbia Studios has grown into an advertising studio that develops print materials, illustration, Web sites and multimedia software. The firm has won more than 300 design excellence awards, yet remains "faraway from the high-pressure corporate world," explains Russ. When their two sons come home from school, the parents take time off and finish work later at night when the kids are asleep.

Those values match their corporate image. "We have soft hearts, broad smiles and big shoulders," says their brochure. Mary-Lynn explains, "We treat a client's budget as investment money. We involve clients closely and really work to capture what they're trying to do. Take going on-line. We ask ask our clients whether a Web site will be truly useful or just trendy. How will being on the Web help? A site's success is due to advance planning and coming up with a strategy. It must meet marketing objectives and not just 'be there.' Bad sites do more harm than good."

Suburbia Studios itself is an advanced operation. Five to seven people work out of the house while others are linked electronically. Additional photographers, other illustrators, writers, software specialists and translators work on contract or project partnership.

Ironically, success may force the company to leave the home for a larger location. "Every few months we revisit that question," sighs Mary-Lynn, looking wistfully out at the ocean from her kitchen window.

Managing is more than just coping. It also means more than just keeping the business running along smoothly. Not everything is predictable. Unexpected changes happen often. The best plans are unable to anticipate the future. That's where a manager comes in. In this final chapter, we'll examine some of the key challenges of managing a home-based business.

Pace Yourself

Let's start by looking at the first person in a home-based business – that's you! How you on how successful your business becomes. During the start- up phase of a business, you can expect to be busy – even frantic. How you pace your day to avoid burn-out will be important.

Personal Style

Personal style is the name given to the general way that a person approaches the world – especially tasks, people, and information. Certain personal styles make managing seem easy, and others make it seem impossible. Fortunately, management skills can be learned and strengthened, usually most effectively from an honest assessment of strengths and weaknesses.

Refer back to the work you did in Chapter 2. Consider what you've learned so far through business research or through experience. Consider the following tips to assess your present management capacity. Make adjustments as needed to the management training plan developed as part of Chapter 4 .

Time Management

The way you manage yourself and your business in relation to the time available may make the difference between you and the competition. This is particularly true in a home-based business because at home, there are always so many other competing things to be done. Learning to manage time is continuous, ongoing and difficult work. But the rewards can be great – reduced stress and pressure, increased productivity, a sense of security and accomplishment, and real management.

Learning to treat time as a resource may mean more delegation. For example, a business owner's time spent on clerical details may not be time well spent. Sub-contract out low profit jobs – book-keeping, cleaning the store, organizing the files, producing an item, making the sales call, delivering the merchandise – so you can manage other important tasks.

Most people have a confused, sometimes inaccurate idea of how they spend time. Without a good sense of where you're misusing time, other attempts to manage it better won't come to much. Keep a time log for long enough to have a representative slice of your business life, perhaps a week. This is tedious but useful. Figure out how much time you spend in different activities, using a ratio (time spent doing something to total hours), percentages, a pie chart, or some other way. Decide whether you're spending your time in the way you want to. If you are, keep it up. If you're not, decide on an ideal time plan which outlines how you'd like to budget or portion time differently.

Time management strategies

The following ten time-management strategies may help you:

1. Practice setting priorities and working to them on a daily and a weekly basis.
   A. MUST BE DONE
   B. Should be done
   C. Could be done
2. Pick one place where you procrastinate and work at changing that. For example, if you put off starting work each morning, set a schedule with a certain starting time and work at following it.
3. Give yourself deadlines and work at keeping to them.
4. Try to develop the habit of handling things once. If something is a priority, deal with it.
5. Try to do the difficult parts of a job first,

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or the things you're afraid will be difficult. Get the big jobs or unfamiliar tasks out of the way.

6. Divide your work into blocks that you CAN finish in the time you have available. Piece-work may fit best into certain schedules.
7. Don't be paralyzed by your desire for excellence or for "the right way" to come to you. Right ways to manage time come through practice.
8. Set up a new routine that clearly contrasts with the one you're trying to break. Don't make exceptions until the new habits are established. Taking a break, on schedule, without exception, may be the key to change and a more balanced life.
9. Learn to say "no". Don't waste time feeling guilty or anxious about what you can't do.
10. Efficiency is doing the job right; effectiveness is doing the right job. Don't become rigid in your approach to time management. A little flexibility will keep you open to opportunities.

Build Relationships

The relationships that connect you to your lender, suppliers, clients or customers, service providers, bookkeeper and other professionals are the lifeblood of your business. Certain relationships have particularly important effects on home-based business success.

Family

Finding and keeping a balance between work and home life can be difficult in a home-based business. Chapter One covered the importance of thinking about this before start-up. It's just as important to keep the potential effects in mind as your business gets established.

A major opportunity in a home base is also a major risk – drawing on the energy and time of other people in the household to get the business established carries the risk of undervaluing them, or taking contributions for granted. This can result in resentment against the business. When you're working at home, you're not available for life tasks. When you're taking care of a home and family responsibilities, you're not available, without previous planning, for work in the business. The stress works both ways. This is one of the reasons that – even for family members who volunteer their time – good work schedules and clearly laid-out tasks are so important in delegating work.

Lender

Two important suggestions in this guidebook are to develop a good working relationship with your banker or lender and to keep backers informed about good and bad business developments.

Suppliers

A solid relationship with suppliers can be built over time, especially if you live up to your end of agreements and pay on time. Don't expect more of suppliers in terms of credit or special prices than they can give. Everyone in business is juggling different demands and pressures.

Customers

Even if you never see them, your relationship with people who buy your product or service is, in the end, the most important one for you and your business. High quality products or

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Customers

Even if you never see them, your relationship with people who buy your product or service is, in the end, the most important one for you and your business. High quality products or services provided at a fair price are the foundation for the best business relationship.

Keys to managing these relationships include delegating responsibly and giving credit so that helpers/family/workers feel recognized and worthwhile.

Manage Your Finances

Seek additional Capital

At different times and for different reasons, many businesses need to find an infusion of working capital – due to a boom, a rush of orders, an expansion, a move to another business location, or to tide the business over a period of unexpectedly low sales.

Sources for start-up capital may also be sources of operating capital – friends, family, and lending institutions. Because an established business has a track record and tangible or real assets, it can be easier to borrow money for operating than for start-up. Other possible sources for operating capital:

- Have customers leave a deposit when they place an order.
- Stagger product deliveries to match sales so the business isn't stuck with a large inventory.
- Take goods on consignment, which means you don't pay until an item sells.
- Obtain supplier credit.
- Take the full time allowed to pay your bills – in a cash flow crunch, the hope is you will have turned your inventory (sold the products) when your suppliers' bills come due.
- Consider sharing the work with a partner.
- Ask friends to invest in your business.
- Sell overdue accounts to a collection agency.
- Merge with another company.
- Seek venture capital.

Reduce Your Taxable Income

According to the Canadian Income Tax Act, all money you spend "...for the purpose of gaining or producing income" can be deducted from your business and full-time employment income. If you work out of your home, you can deduct a portion of your telephone and rent, as well as a portion of lease or mortgage expenses. Check with your accountant. A reasonable portion of vehicle expenses, office equipment, furniture and suppliers, business stationery, and relevant books can also be deducted. If you already own these, you can transfer them to your business at "fair market value" and still use the tax deduction.

Depreciation rates on equipment are set by Canada Customs and Revenue Agency (CCRA) as part of taxation laws. These rates are different for different categories of equipment.

Some possible ways to reduce your taxable income from a home-based business:

- Write off all business-related books, magazines, manuals, journals and newsletters you have bought over the years that have been used by you to make money in your business. Make a list of titles and value, and sell the references to the business. This lets you show the resources as a business asset to be written off 100 per cent when you show a profit. Talk to your bookkeeper about this option, which may involve

claiming the value as personal income.

- Claim as deductions from taxable income the expenses of the physical space you use. Claim either the square footage used by the business as a portion of your house's square footage, or any room entirely given to your business in a ratio with all the rooms in the house.
- Claim pay phone and parking meters. Use your daily calendar or appointment book to record such expenses for which you have no receipts. Transfer this record chronologically onto your monthly petty cash sheet, marking which are paid by cash and especially noting cash expenses that have no receipt. Without that habit, small amounts of cash spent will continually dribble through your fingers without being recorded as business expenses. The ones paid by cheque will show up as a business expense in your cheque book.
- Organize receipts in envelopes, then transfer amounts to financial records. If you lose receipts, legitimate business expenses can still be deducted. Note the event and expense in your appointment book and include with other receipts a brief explanation of any expenses claimed but not supported by receipts.
- Apply for a gasoline excise tax rebate, available for automobile use for business. The post office has application forms.
- Identify and keep a running list of all business assets and their costs; make sure you deduct depreciation allowance – called capital cost allowance deductions in tax calculations.
- Sub-contract instead of hiring employees, at least initially. The benefits include less administration and paperwork and greater flexibility to deal with changing work demands. Once the business is established, it makes sense to hire.

Business Number

You receive a Business Number (BN) when you open up one or more of Canada Customs and Revenue Agency's four main business accounts: These are:

- Goods and Services Tax
- Payroll deductions
- Corporate income tax
- Import/export

The BN is a numbering system that identifies you and the various accounts you maintain. Registration kits can be obtained from Business Windows, located in many Canada Customs and Revenue Agency offices in BC.

Handle the Goods and Services Tax (GST)

Every business that has revenue of $30,000 or more in any 12 month period must register for and from that point on collect the seven per cent GST on their sales. In addition they must file a GST return reporting the GST collected on their sales and the GST paid on their purchases. However, if you do not have revenue of more than $30,000 in any 12 month period, you are considered a "small trader", and it is optional to register for the GST. This means that small traders who are not registered for the GST do not charge GST. If a small trader reaches the $30,000 limit within a 12 month period, they are required to register for the GST.

You may, however, choose to register even if you are a small trader. While the option of not registering may look attractive, think carefully before choosing it. While not registering will save you the time and cost of administering (collecting and remitting) GST, it also means that the 7% GST that you pay on all supplies and services you purchase for your business cannot be claimed back. As a small trader, you become, in effect, a consumer – not a business in the context of GST. In practical terms, this means that all the costs of a small trader (except salaries, on which there is no GST) will rise significantly under the system. The overall effect on your competitiveness will almost certainly be negative.

Deciding whether to claim small trader status is fairly straightforward. You simply need to calculate your taxable expenses for the year and determine whether the 7% you paid is "worth" the cost of registering and doing the paperwork of collecting and administering the GST. You also need to decide whether you can stay competitive if your expenses are effectively 7% more than the next person's.

Monitor Customer Credit

Providing financing arrangements for customers can increase sales. In that way, credit is a sales tool. However, managing credit requires setting up and keeping good records.

Handling Accounts Receivable

Of particular importance is how you manage your accounts receivable. As with other parts of a credit program, managing accounts receivable means learning to use records. Divide accounts receivable into three categories; 30, 60 and 90 days. A written letter will clean up most 30 and 60 day overdues, while a telephone call can usually clear up 60 and 90 day overdues. A standard recommendation for small businesses is to use a credit collection agency after 60 days and before 90 days.

In-House Credit Program

It's common in any business to have to wait for payment. Customers are billed or invoiced. Most credit programs charge interest after the allowable payment period.

Financial plans have to consider the costs of carrying slow payments as well as bad debts. Payment delays occur for many reasons. Have a contingency or back-up plan in place for times when payment takes months to arrive.

Open Charge Account

Credit card companies survive on the percentage of card sales that businesses pay them. These percentages run between three per cent and six per cent, depending on volume and average sale. Businesses with small sales pay a higher rate.

A credit card program has these advantages over an in-house program:

- The business owner doesn't have to run a credit check.
- You get your money right away.
- Risk is less.
- You save the time needed to bill customers for credit sales.
- Most of the buying public have and use credit cards.

Respond to Growth

You've got a great product or service. Your business is on a solid foundation. Your marketing program is starting to pay off with orders first trickling and then rolling in. For many new businesses, that wave of orders can come crashing down if the owners are not prepared to handle the volume of success.

When you develop your marketing plan, be realistic about what you can handle. As your business gets established, regularly check back to see if you were realistic or whether some adjustments need to be made in what you can produce. Have back-up plans for the additional financing, equipment, supplies and labour the business needs to meet different levels of production volume. Don't promise what you can't deliver.

When there's more to do than you can handle, the options are often limited in reality. But the most likely ones to consider are:

- Say "No"
- Work harder
- Delegate
- Recruit volunteers
- Hire help
- Subcontract work to other people
- Use the time you have more efficiently

Say "No"

A difficult aspect of handling unanticipated volume may be learning how to say "No". Consultants in particular often face the dilemma of being offered a contract or project of interest when they're already overextended. Each situation is different. You may want to accept a contract or project that you know will be demanding because of what it might lead to. In other cases, the best thing may be to turn down a tempting contract because your realistic assessment is that you wouldn't be able to maintain quality or produce on the schedule required.

Work Harder

Working harder is the most typical response to having too much to do. What once was a regular day expands on both ends, eating into other ways you'd hoped to spend your time. Working harder is not always working smarter. While it's inevitable to some extent and should be expected, it isn't necessarily a good business decision or practice to maintain. Burnout is a very real condition, not one you can rebound from easily. Working harder should be at the bottom, not the top, of the list of options for handling too much work. In a home-based situation, this option has an additional risk of serious imposition on your family. Keep in mind your original reasons for going into business.

Delegate

The alternative to working harder is what business writers call working smarter – learning to delegate, to assign and to subcontract as part of managing time and work. Delegating is one of the most difficult tasks for many owners and managers. Unfortunately, while you're getting your home-based business established, you probably won't have the luxury that exists in many work places of passing certain tasks on to others, even if you were clear about what others could do. But you can delegate some of the family chores or household task to others, especially during times of crisis.

Recruit Volunteers

Drawing on the volunteer energy of family and friends can make your home-based business a chance to build something together. You can also give important skills to family members. Let them know you appreciate them, and they may not expect any other sort of return. Find out how other people in the household feel about working with you and what recognition or return they want. Use what you know of the personal styles of people in the household – including yourself – to assess how realistic their involvement is in the business as a volunteer or as a paid staff person. One possibility is to keep good track of the contributions that different people make to your business. Use a section of the business reference manual for this. When the business gets on its feet, ensure that people who've helped you get a return.

Hire staff

Hiring employees involves some legal requirements and obligations, particularly around:

- Heath benefits, Workers' Compensation, Unemployment Insurance and Canada Pension Plan.
- Workplace standards and conditions.
- Disability insurance.
- Human rights.

Zoning determines whether or not you are legally allowed to have employees in your home-based business. Many municipalities restrict employees in a home-based business. For example, an amendment to the Mission by-law controlling home occupation use states:

(Various residential zones) shall have a maximum of 2 employees per house occupation use and a maximum of 1 non-resident employee.

Where the employees of a home occupation do not conduct their occupation on the subject property, (they) shall have no restrictions on the number of employees.

If hiring is an option, you may feel you need the continuity and stability, or the specialized skills, of employees. Becoming an employer involves many things. The process of hiring includes:

- Developing a realistic job description with reasonable tasks
- Finding good candidates, interviewing them, and making a decision about who to hire.

Managing personnel once you have them requires various directive, personality and communication skills, in addition to those you need to run the business yourself. Hiring a spouse or family member has implications for taxation. Talk with your bookkeeper or accountant.

Sub-Contract

Sub-contracting blocks of work or certain tasks has proven more realistic than hiring for many home-based business people. Generally, the person with whom you sub-contract takes responsibility for himself or herself. While it may seem on an hourly-rate comparison that you pay more for sub-contracting than for hiring, comparing real and total costs of the two options can change that impression. If you do sub-contract, a plan similar to the staffing plan outlined above but simpler will help you keep track of and assess the costs and

benefits of sub-contracting. You can check with the Canada Customs and Revenue Agency guide to assist in determining if the person is self-employed or an employee.

Seek Strategic Alliances

The downsizing of many large corporations in the past decade has shown that increased profitability can come from concentrating on the core of one's business and outsourcing all other business functions to companies that specialize in these areas. Your home business also can use this technique to your advantage. You can grow by forming alliances with other companies. Rather than taking on new overhead, you take on strategic partners. You grow the business but not its size. For many entrepreneurs wanting to avoid the headaches and bureaucracy of managing a larger company, this can be an attractive growth strategy.

For example, a company that produces vacation property log houses might grow its market share by finding lumber mills in different parts of the continent who would manufacture the logs into pre-assembly kits. Distribution of the kits could be contracted to a national trucking chain who supply customers located by a direct sales marketing company. As the lead company, you specialize in the order fulfillment and customer service by providing a 1-800 telephone line for people to call if they have trouble putting together the kit. Instead of constructing a national distribution system, you establish a network of interrelated businesses, each performing a separate function.

Some different ways in which the network can be formed are:

- **Partnership**
  Two or more companies enter into a legal agreement to bind their companies together or aspects of their operations together. They share the profits and losses of their enterprise. Professional services, such as medical clinics or legal offices, are typical examples of such group partnerships.
- **Joint Ventures**
  Rather than have a permanent relationship, companies can come together to work on specific projects or ventures of a temporary duration. A typical example is a construction project where the property developer, architectural firm, building contractor and others may enter a contract together to build a housing sub-division.
- **Outsourcing**
  One company enters into a contract with another to supply it with a certain service for a set price or fee. The contract may have been put out to tender first and then bids accepted. Security, janitorial, cafeteria, and accounting services have typically been outsourced by businesses rather than provide these functions in-house. The practice is spreading widely to include personnel services, management consulting, and marketing expertise.
- **Independent contractors**

Ongoing relationships to provide a service can be contracted with other companies which still remain independent from you because they have other clients. Typical examples are manufacturers licensing local appliance repair companies to perform warranty work, or freight transportation handled by independent owner operators, or building trades sub-contracted to local journeymen. Increasingly,

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many clerical, equipment maintenance, and professional services are being contracted in this way.

- **Strategic alliances**

Another name for a partnership or joint venture, this term is used to describe situations where companies align their operations to achieve a common goal. This can involve suppliers and producers sharing the costs of research and development for a new product, or small competitors banding together to form a stronger position against another competitor. Examples include airline companies utilizing each other's ground services at certain airports to avoid duplication and medical technology companies sharing the costs of research and testing.

- **Virtual companies**

Advances in computer and telecommunications technology now allow a business to compete in world markets yet operate from a remote base, including a home office, a vacation cottage or a sailboat. For example, a coupon marketing company could operate from a Gulf Island home in B.C. but hire representatives in every major Canadian city to contact restaurants, golf courses, cleaning services and other coupon users. The coupon books could be produced and distributed under contract with other local agencies. Since the whole operation is outsourced, this nationwide business appears to be much larger than it really is. Maintaining contact with agents via fax, phone and e-mail, the company's apparent large size is virtual rather than real.

A new paradigm emerges

"...in our view, teaming up with other organizations of various sizes will soon become the modus operandi for all business a new paradigm for success in an evolving global marketplace. After all, our nature is to affiliate with others...As millions leave behind the social organizations we call corporations and agencies, it's only natural we turn to new ways of joining with others."

Paul and Sarah Edwards and Rick Benzel. *Teaming Up* (1997)

Due to the numerous ways in which alliances and partnerships can be formed, this approach allows for considerable flexibility and creativity – qualities that will be needed in the ever-changing new economy of the future. However, because the parties in network relationships rely heavily on each other, there can be drawbacks and higher risks. Yet the network strategy may be the only viable option for many small companies.

Some things to evaluate when considering this approach:

- **Does a network already exist?** – Clearly, you'll need to be able to find suitable companies to network with. Some may come from business referrals, others may be found in trade publications or from manufacturer's directories. Mature industries – such as food and beverage preparation or toys and games manufactures – that have many suppliers, producers and distributors are easier to network with because the infrastructure already exists and you simply need to find willing partners. Emerging industries – such as software production or cellular phone technology are also ripe for networking.

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- **Are the benefits of networking real?** – Since owners may not have considered networking as a growth strategy, you will probably have to sell people on the concept initially. They may not immediately see the benefits, so you will need to be sure there really are advantages to taking on partners or contractors. Letting others know the inside workings of your operation and letting them have a piece of the action may simply be giving away trade secrets that your partner could copy to their advantage. They may see your offer as a similar threat to their independence.
- **Can a network be effectively structured?** – Putting together strategic alliances involves much up-front organization. It may become more time-consuming than simply going it alone. You will probably need to employ the services of several professionals, such as lawyers and consultants, to help broker the deal. You may even have to translate your communications if dealing in foreign countries. Just negotiating a mutually beneficial agreement is one thing. Ensuring it is enforceable is another.
- **Is there a common goal?** – Entering partnerships, joint ventures and sub-contracting relationships is like getting married: the new entity is the sum of the strengths and weaknesses of each party. This is the key advantage and the source of most risk. You now become inter-dependent.

Respond to Change

One problem with managing a business instead of running it (or letting it run you) is that much of what is involved in good management is invisible. It's easier to work with tangible things, things you can get your hands on, or to talk with someone about daily operations, than it is to do the dogged brain work of managing a business.

Projections and Forecasts

Much of that brain work involves looking into the future and trying to understand how it will affect your business.

The four key projections needed for regular business management are:

- All the costs of producing an item or providing a service and making the business concept available in the market – supplies and materials, time/labour, and overhead.
- Marketing and distribution costs – costs of getting it into the hands of customers.
- The operating procedures and expenses – you should always be looking to improve efficiency because this is one way to keep costs low and be competitive
- The money situation coming in and going out of the business, daily and on a cumulative basis over weeks and months.

These four areas translate into the four main questions that your business plan originally set out to answer:

- **Business Concept:** What are you selling?
- **Marketing:** How will you get it to buyers?
- **Operations:** How will you run your business?
- **Finances:** Will you make money?

Future-gazing can never be accurate but you will get better at predicting costs, trends and market demand as your business experience grows. Business records give a running record of estimates and reality. The adjustments needed between the two will lessen with time and experience. Factors not anticipated can be added to plans, steadily reducing risk and unpleasant surprises.

Keeping track of costs is one of the first essential steps in the process of controlling costs. These are business management skills that continue to be important throughout the life of the business.

Environmental Impact

Until recently, few Canadians knew much about the impact of their business operations on the natural environment. Now, over 90 per cent of the population identifies it as a top priority issue. The environment is no longer something that new small home-based businesses can afford to ignore.

Start thinking about the environmental impact of your business early. If production processes have hazardous by-products, by-laws may prevent you from establishing a business home base, even if your conscience doesn't. Legal, environmentally safe disposal of any such product is a business cost that will likely rise with pressures for environmental regulations as awareness of hazardous materials grows. Liability for environmental clean-up will be a parallel business concern.

Marketing analysts predict a "green" boom in marketing in the years to come, including use of the "environmentally friendly" aspects of products to promote sales. Studies of "baby-boomers", those influential consumers born between 1940 and 1960, show that this demographic group is environmentally aware and places value on the environment. These trends support the need for any new business manager to be equally aware and to consider the environmental attitudes of target markets.

An obvious example is for your business to establish a recycling policy for paper and other waste which you produce in the office or workshop. Contact your municipality for information on current recycling programs and incentives in your area.

Business Cycles and Economic Trends

Business cycles in our economy often follow a predictable pattern. Understanding and working with those business cycles can prevent you from making costly mistakes. If you ignore or don't understand how business cycles affect the overall economy, you may make the right business decision, but at the wrong time. For example, a business producing custom-made windows won't want to expand when housing starts are down and construction is slow.

The particular form that these business cycles take in your trading area and industry can be better understood by talking with local people and industry contacts, and by steadily adding to your knowledge of current business affairs.

British Columbians are having to adjust quickly to international realities. A home-based business operation, no matter how small, is part of wider economic relationships which are changing and reforming quickly. No new business can avoid being influenced, or can afford to ignore the international economic picture.

Just two examples illustrate the kinds of

developments that new business people will want to be informed about: revisions to trade agreements among the United States, Canada and Mexico; and the impact of the decisions negotiated among member states of the World Trade Organization. Decisions made at these levels might not seem like they have an effect on home-based business, but they do. The global economic picture may not seem relevant to most new home-based businesses, but it is. Such events influence many things that in turn influence you – interest rates, to name just one. Researching the 'world' of business at that global level may be a lower priority for most home-based business start-ups than more immediate questions of business planning. However, once the business is established, you should spend some management time on current economic affairs.

Explore Global Markets

Global economic trends is also important for many home-based businesses because future growth may depend on an export market. For specialized products and services, a Canadian market may just be too small. Export sales, of services as well as products, are expected to continue their increase in importance to Canadian businesses, including small and home-based operations.

Exploring international markets is particularly useful for home-based businesses which sell products and services for which there is only a small local market. The world is a big place. Reaching beyond your own backyard can be highly profitable if you can handle successfully the corresponding increase in production. Consider these ways of achieving increased market penetration:

Home business owners can be reluctant to seek out export markets and international buyers. This is understandable: foreign languages, cultural differences, tariff barriers, slow communications, and other hindrances created real and perceptual hindrances to international trade. But in the last decade, the proliferation of English, the emergence of cheap telecommunications technology and the spread of free trade practices have opened overseas markets to small business.

Some ways to take advantage of this are:

- **Register with a database** A variety of Canadian and overseas databases now list companies that are looking for new markets or which are seeking suppliers for foreign markets. The World Information Network for Exports (WINS) is one example.
- **Use expert assistance** All large cities in Canada have International Trade Centres funded by the federal government. Some cities even have embassy branches with trade officers. Similarly, a wide range of training, counselling and mentoring programs are available to provide help.
- **Attend tradeshows** International trade shows are held periodically both in Canada and abroad. These present current information, expose you to any competition, and offer cost-effective networking opportunities.
- **Seek financial aid** Both federal and provincial governments offer business loan programs or other forms of funding mechanisms to assist businesses to enter the export market.
- **Take a course** Several excellent and inexpensive training programs are offered

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for new exporters to learn the ropes, gain advice and avoid pitfalls. Some are available in-person, others on-line or via software disc.

Where to find help with exporting

WIN Exports
A computerized database of Canadian exporters. Registering your company opens doors to foreign markets and online bulletin board. Contact nearest ITC office for registration form.

Export Development Corporation (EDC)
A variety of financial and risk management services to help Canadians compete internationally. 604-664-5828
http://www.northstar.ca

Take a World View...Export Your Services
Interactive software to develop your own export plan for services industries. 819-956-4800

Market Intelligence Service (MIS)
An information request service to assist businesses access importing and exporting data and reports. 1-800-328-6189

New Export to Border States (NEBS)
A brief inexpensive training course showing Canadian companies how to begin selling in the USA. Includes tours and networking. Contact local ITC.

New Exporters Training and Counselling Program (NEXPRO) A mentoring program to help businesses develop export potential. Contact nearest BDBC office.

Exporter's Guide A publication that outlines options for financial transactions abroad. 1-800-267-8376

Program of Export Market Development (PEMD)
A variety of financial assistance vehicles for small export-ready companies to aid expansion. 1-800- 267-8376.

Automated Customs Information Service
Recorded 24-hour messages on regulations and other topics. Personal help available during business hours. 1-800-461-9999

Alliance of Manufacturers and Exporters
Canada Non-partisan organization promoting world trade. 416-798-8000

Expand E-Commerce Capability

While technology has already become a crucial part of the operation of most small businesses, it's significance can only increase in coming years. Every home-based business owner not only needs to use the new technologies efficiently, but also to develop ways to use technology effectively to develop the company's potential as an e-commerce enterprise. You don't need to be a technical wizard. This is simply another aspect of developing winning strategies for business success.

"In the 21st century, the Internet is going to be as important a business tool as the cash register and the telephone have been during the 20th century."

Task Force on Electronic Commerce, Industry Canada

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multiplies the difficulties of managing that growth effectively to avoid becoming over-extended. Without the deep pockets of larger corporations, small business cannot afford to experiment with technology. This means they need to be clear on the advantages and disadvantages for their business of implementing technological change.

Advantages

E-commerce offers several benefits for the small business owner. These may each appear to be obvious at first, but when taken together their collective power is considerable:

- **Improve response time** – Information technologies have revolutionized our ability to send messages quickly. Customers can place orders and have them fulfilled far faster using new technologies than they could only a decade ago. Business correspondence can be sent and received and acted upon in the same day. Credit card enquiries are now approved instantly. The Internet can transmit a 42 page document, for example, from Toronto to Tokyo in two minutes – that's 720 times faster than overnight delivery by courier.
- **Overcome geographic distances** – The world has shrunk as new technological advances bounce signals around the globe. Customers can shop without leaving their living room. Salespeople can remit and receive information remotely. Information can be accessed from libraries and databases anywhere without travel to the physical location where it is stored. New markets can be penetrated or served without needing a branch office in the region.
- **Reduce operating costs** – Converting processes into electronic formats has sliced the cost of doing business for many firms. Using cellular phones, word processing software and electronic DayTimers have reduced the need for secretarial staff, for instance, while just-in-time inventory handling and automatic order processing have reduced distribution costs and other overheads. The cost of communication has fallen dramatically as well. Transmitting a 42 page document from Toronto to Tokyo via e-mail costs about $0.095 compared to $26.25 by overnight courier.
- **Restructure relationships** – The ease of access to the benefits of technology allow companies to re-invent their connections to suppliers, customers and even competitors. New strategic alliances become possible and old dependencies are reduced. For instance, companies can shop the world electronically for suppliers rather than be limited to local providers. Small companies can combine expertise to handle larger and more complex orders together, liaising with each other by electronic means.

Disadvantages

As the pace of technological change grows and more business applications are found, the consequences of becoming caught in a whirlwind of trouble become more serious. Investing in e-commerce seems inherently risky, perhaps even a gamble.

- **Rapidly changing** – Only ten years ago the fax machine was a marvel which introduced the electronic transmission of pictures. Today, fax machines collect dust in the wake of our ability via e-mail attachments to deliver digital images that the receiver can download and manipulate. The same

M121

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transformation is occurring with ordering processing and database management technologies as well as production machinery and transportation equipment. Leading edge has become bleeding edge, and electronic standards or technological applications can change overnight.

- **Expensive to implement** – Introducing the latest technology almost always incurs considerable capital outlay to purchase the hardware and software. Depreciation of most new technologies occurs rapidly and money to buy replacement equipment must be budgetted. The time needed to learn new applications and to train employees to use new equipment efficiently can also be considerable. While operating costs do fall over time, the initial investment is often expensive, especially if debt financed.
- **Complex to manage** – The interface between different technologies is frequently problematic with incompatible protocols, wiring, and operating capabilities. Headaches are common experiences when ensuring that equipment will perform as expected as well as having contingencies for times when it doesn't. Staying abreast of the latest technological advances and system upgrades is also time-consuming.

Seven ways to leverage technology

Time was when technological improvement was so costly it only favoured big business. Times have changed big time. Like other smart entrepreneurs, you can capitalize on this trend.

1. Make a corporate video, either to woo a financier or to wow a client. Video editing via a PC costs less than $5,000. Cost to distribute on CD-ROM is $1 to $2. Hollywood here you come!
2. Install your own online ordering system via a website using tools from IBM and others. Customers place orders using credit-cards. You have your very own EDI for peanuts.
3. Check out mail-merge on your wordprocessing program and use it to create mail-outs to prospective customers.. Even the envelopes can be customized!
4. Install a contract-manager software program on your PC and begin building your own database of contacts. Use this to generate new sales and leads. Hooking to your phone line allows you to autodial out.
5. Search for prospects for free using the Canada 411 database provided by Sympatico. This gives no-charge access to over 10 million Canadian home and business phone numbers (excludes Alberta and Saskatchewan) At **http://canada411.sympatico/ca**
6. Get a multi-functional office copier – The all-in-one office machine now combines fax, scanner, copier and printer in one box. All for $500-$1000 when each one bought separately would cost 3-4 times that amount.
7. Install a voice-recognition software program and get hands-free word-processing. The dictaphone is dead but you may still need a secretary to open the snail mail!

Adapted from: Jim Carroll and Rick Broadhead. *Small Business Online: A Strategic Guide for Canadian Entrepreneurs*

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Success factors for E-Commerce

If you are ready to venture onto the Information Highway, enhance your chances of surviving when you go digital by learning from IBM's consultants. Here's their wisdom gained from helping create over 18,000 e-commerce operations in the past few years. For more information, go to: **www-ibm.com/software/info/soul/it/guide.html**

Seek technical expertise

E-commerce is as much about business vision as technology. The most successful e-businesses are partnerships between business owners and information technology experts. Companies that make e-business central to their business do much better in the long run than those that make it an afterthought or treat it as a peripheral.

Link to your strategic plan

For most organizations, the key to a successful e-business transition is making their e-business priorities the same as their other business priorities. This makes e-business an investment instead of a bet.

Move swiftly and deliberately

When you move to e-business, it pays to move quickly and completely. In many industries, business cycles already reflect e-business efficiencies and speed. Waiting for Internet technology to "mature" will probably mean ceding advantages to bolder competitors.

Fully integrate the technology

It pays to integrate e-business with your core operations from the start. This approach leverages business-proven systems you already have, saves you from doing dumb things like selling products that aren't available at prices that have changed; and ensures that customer service and accounting are consistent across all sales channels.

Ensure systems are dependable

Scalability, availability, and security are not optional. Extending business-critical applications to the Web doesn't make them any less critical. In a system that is only available 95 per cent of the time, five per cent of sales transactions are lost.

Satisfy customer needs

Customer knowledge is everything on the Web. The company that knows its customers best and uses what it knows to serve them better has a huge advantage in this one-to-one environment where competitors are only a click away.

Focus on the big picture

The key to transforming any major process is to identify all of the sub-processes that are a part of it. This sounds obvious until you consider that most business processes span multiple operating environments and customers. It pays to focus on the whole – rather than on the systems designed to serve just pieces of the business.

Allow for future expansion

Plan to overbuild for traffic you don't expect to get initially. Triple-digit growth is the norm in e-business, and unpredictable 1,000 per cent demand spikes are common. Early over-capacity is less expensive than starting again if your site crashes and customers move on.

Build in compatibility

A vital component of e-business is a way to manage the performance of all your systems, networks, and applications – as a single enterprise.

Plan for change

An "ideal solution" that uses technology that is specialized to your business may not be as reliable in an e-commerce world as a solution that uses common technology.

Twenty reasons to use the Internet as a growth tool

1. Reach a worldwide audience.
2. Do business with an affluent market.
3. No barrier of time zones, you are open 24 hours/day.
4. Reach consumers when they are ready to buy.
5. Open a new channel of distribution for your company.
6. ...Or sell products only on the Internet.
7. Offer lower costs to consumers and beat the competition.
8. Beat competition to new markets because they aren't online.
9. Make additional sales more easily.
10. Create cost efficient catalogues that are long on details.
11. Low cost of doing business.
12. Low cost of entry.
13. No or low rent.
14. Interact with customers.
15. Engage the senses by using audio, video, and multimedia to create relationships and sell products.
16. Conduct market research online.
17. Find out competitive information.
18. Provide quicker customer support.
19. Decrease cost of printing and distributing marketing materials.
20. Reduce warehousing costs.

Consider Leaving Home

When will you know if your business is ready to leave home? Do you know whether you want to? Starting a business at home may be the only way to start a business at all. Keeping a business small enough to continue operating from your home may be a goal, or you may welcome growth and expansion. Ongoing evaluation and regular review can help you recognize when you've outgrown your home base and are ready to move.

Your business plan is invaluable here, too. Can you afford the additional expenses of moving to a commercial or industrial location? Have you built it into your pricing and profit use? Can you justify not moving? As part of the assessment process, talk to the key people you've involved in your business to this point: family, banker, bookkeeper, accountant, insurance agent, industry mentor or business consultant.

Use the contact networks you've developed, especially suppliers and shippers. Would a change in location mean a change in relationships you've established with key suppliers? Ask customers what a change from a home base to a commercial base might mean to them.

The decision to move from a home base to a commercial location shouldn't be made in an optimistic or pressured moment. With the same careful research and assessment you've used to get the home-based business established, you should be ready when the time is right.

Use Your Business Plan to Evaluate

Tackle the issue of staying or leaving as one part of a regular review of all aspects of your

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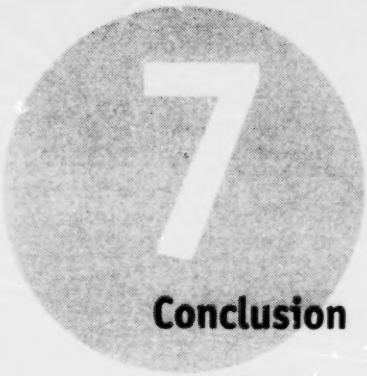
Use Your Business Plan to Evaluate

Tackle the issue of staying or leaving as one part of a regular review of all aspects of your

business, its goals and its future. Your business plan can be the basis of such re-evaluation in two ways. Use it as part of your ongoing review as you regularly monitor things in the business. Then, once a year, do a more formal review of business performance against planned performance. For this annual review, your previous written business plan will be invaluable. The annual review is the time to check back on the projected progress points laid out in your plans. Did you achieve your goals? Were your projections accurate?

Such an annual review is often done as part of completing and filing the tax return. What you learn from evaluating a previous year should be applied to planning for the coming year. As part of the annual review, prepare a summary of your conclusions and the changes you plan to make in the next year.

As you can appreciate, having a written plan can be very useful for knowing what to evaluate in your business success. Revising the plan gives you new objectives to strive for.



Conclusion

First Steps

The previous chapters in this manual have outlined what's involved in planning your home-based business start-up – what to sell, how to reach buyers, how to run your operation, how to calculate your finances, and how to manage the business.

Now you are ready to launch the business. This section offers a review of the basic information you will need for taking your first steps into business.

Start-Up Checklist

Use the following checklist to review all of the steps involved in starting a home-based business:

Business Concept

- What type of business will you start?
- Is there a need and can you fill it?
- Do you have a good understanding of how to market your business?
- How will you create a positive professional reputation?
- Which business structure (sole proprietorship, partnership, corporation, business co-operative) have you chosen and why?
- Is your business name registered?
- Have you obtained professional advice: legal tax and accounting
- For partnerships, is your Partnership Agreement and Buy Sell Agreement part of your business plan?

The Marketing Strategy

- What is your customer profile?
- What is your business's market or trading area?
- Estimate total sales volumes for your business.
- What will motivate prospective buyers to buy?
- Compare competitors' sales volumes.
- What inventory will you stock or what amount of service will you provide (first, second and third year projections)?
- What benefits do your products or services offer compared to the competition?
- What is your pricing policy?
- What selling and promotion methods do competitors use?
- How will you distribute products or deliver services?
- What selling techniques have you chosen?
- Have you explored e-commerce as a marketing strategy?
- What promorional methods will you use?

Operations and Administration

- What renovations or changes are needed to your office/shop space?
- Will your work space be large enough, separate, quiet, well lit?
- Is your work space organized: telephone, office, work area and equipment, and production processes?

- Are business/professional activities and personal/household activities physically separated as much as possible?
- Is professional advice being obtained on a regular or as-needed basis; legal, accounting, bookkeeping, industry expert, business advisor, other?
- Have you planned your insurance needs with an agent and secured adequate coverage?
- Are all furniture, equipment, and machinery needs itemized?
- Can used, recycled or leased items reduce equipment costs?
- Are plans for hiring, training and paying employees in place?
- Are you going to sub-contract work instead of having employees, in order to simplify paper work and maintain business flexibility?
- Are business needs for supplies and materials itemized and incorporated into financial projections?
- How will you handle expansion, unexpected success and high demand?
- How will you handle unexpectedly low sales, sagging markets, and unanticipated economic shifts that could result in fewer sales than you projected?

Laws and Regulations

- Have all required licenses and permits been obtained?
- Is the business operation in compliance with zoning and other bylaws?
- Are provincial and federal sales taxes covered in your plans?
- Do you need a GST number?
- Do you need a PST number?
- Are municipal taxes allowed for in financial calculations?
- Are all regulations and laws that affect the business adequately researched and is the business operation in compliance with them?

Financing and Cost Control

- Have you determined your start-up costs?
- Do your projections include the time it will take for the business to develop sufficient sales to support itself?
- What are your sales forecasts, expenses and profits?
- What is your break-even sales level?
- Have you prepared one realistic and one pessimistic forecast for each key financial area?
- How will you control costs and expenses?
- How much working or operating capital will you need?
- Are funds available for unforeseen difficulties during start-up (to be expected)?
- Mow much of your own money will you be able to invest?
- Where can you borrow or obtain additional funds?
- Have you discussed financing with lending institutions and suppliers?
- Have you prepared a list of personal and business assets that may be needed for security/collateral?
- Has a separate bank account been opened for the business?
- Have bookkeeping (financial records) and filing systems been planned and put in place?
- Do accountants and bookkeepers have a

designated role in the business, and has their advice been sought?

- Do you understand legal obligations for your business debts?

You, the Business Owner/Operator

- Is your written business plan completed?
- Are you confident about your skills at managing time, stress, and many different kinds of responsibilities at the same time?
- Are your expectations about yourself as an entrepreneur realistic?
- Are your expectations about the home base for your business realistic?
- Do you have management skills, or are you taking steps to develop them?

Operational Essentials

Here's a list of things that should be in place before you open your business:

1. You must obtain a business license in the city or municipality in which you plan to operate.
2. If you are starting a retail business you must contact the Consumer Taxation Branch to obtain a Social Service Tax (provincial sales tax) number

   VANCOUVER
   605 Robson St. – 5th floor
   Phone: (604) 660-4524}
   www.fin.gov.bc.ca

   VICTORIA
   1802 Douglas St. – 3rd floor
   Phone: (250) 387-0656
3. If you want to use a business name other than your own, you must do a name search and register a business name with:

   CORPORATE REGISTRAR
   Ministry of Finance and Corporate Relations
   2nd Floor 940 Blanshard Street
   Victoria, BC V8W 3E6
   Phone (250)387-7848

   Or contact your local BC Government Agent. Even if you want to use your own name, filing a business name is recommended.
   www.fin.gov.bc.ca/registries/corppg/default.htm

   Business names may also be registered at the Canada/British Columbia Service Centre and at various OneStop centres. To locate the OneStop centre nearest you, see list in next section below.
4. Call on Canada Customs and Revenue Agency to set up business and employee income tax deductions.
   Phone: 1-800-959-8281
   www.ccra-adrc.gc.ca

   An information package on the kinds of business expense deductions that are allowed is also available from the Canada/BC Business Service Centre. Registering for employee deductions would involve getting a payroll number (part of the Business Number). This can be done by contacting a Business Windows office at 1-800-959-5525, or by using a OneStop station, and is only necessary if employees are being hired.
5. If you plan to hire employees, register with the Workers Compensation Board.
   Phone (604) 273-2266 in Vancouver or 1-800-661-2112 (toll free) outside the Vancouver area.
   www.worksafebc.com
6. Get a copy of the Employment Standards Bulletins from:
   Suite 400 – 3960 Quadra Street,
   Victoria, BC V8W 9K1
   Phone (250) 952-4738
   or toll free 1-800-663-3316.
   www.labour.gov.bc.ca

7. If you decide to form a Corporation, Sole Proprietorship, General Partnership, Limited Partnership, Co-op or Society contact the Corporate Registry,
   2nd Floor, 940 Blanshard Street.
   Victoria, BC V8W 3E6.
   Phone (250) 387-7848 (Victoria),
   (604) 775-1041 (Vancouver), or your local Chamber of Commerce or
   BC Government Agent.
8. Check with your insurance agent or one knowledgeable in business insurance, home-based business experience if possible, and get proper coverage before starting. Consider business premises/home (fire/theft), vehicle, liability, business interruption or loss-of-income, disability, partnership insurance.
9. If purchasing a business, pay all funds to your lawyer in trust for release when she or he is sure all contingencies are looked after.

OneStop Business Registration

The OneStop system is a user-friendly computer program that enables new and existing businesses to complete multiple government applications quickly and efficiently in one location.

OneStop can be used by people to register sole proprietorships, general partnerships, and to get Business numbers, PST numbers and WCB numbers for completed corporations, co-operatives, and societies. The whole process will only take 30 to 60 minutes.

BC Registrar of Companies
Declaration for Proprietorship or Partnership (Name Registration)

BC Consumer Taxation Branch
Application for Registration as a Vendor (Provincial Sales Tax)

Workers' Compensation Board
Employer's Registration Application, and Personal Optional Protection

Canada Customs and Revenue Agency
Business Number Accounts: GST; corporate income tax; payroll deductions; and import/export

OneStop locations

www.onestop.sb.gov.bc.ca

OneStop is currently available at personal computer workstations at over 50 locations across the province.

100 MILE HOUSE: BC Access Centre
160 Cedar Avenue
Phone: (250) 395-5595
Email: **GAHUN@gems1.gov.bc.ca**

ABBOTSFORD: Community Futures Development Corporation of South Fraser
100-32383 South Fraser Way
Phone: (604) 864-5770
Email: **cfdcofsf@uniserve.com**

ATLIN: Government Agent Office
Third Street
Phone: (250) 651-7595
Email: **GAATL@gems3.gov.bc.ca**

BELLA COOLA: Government Agent Office
Cliff Street
Phone: (250) 799-5361
Email: **GABEL@gems2.gov.bc.ca**

CALGARY: The Incorporators
604 First Street Southwest
Phone: (403) 860-5455
Email: **bigwhiz@bizwhiz.com**

CAMPBELL RIVER: BC Access Centre
1180 Ironwood Road
Phone: (250) 286-7555
Email: **GACAM@gems4.gov.bc.ca**

CAMPBELL RIVER: Community Futures Development Corporation of Strathcona
2 – 920 Alder Street
Phone: (250) 830-1141
Email: **cfdcs@island.net**

CHETWYND: Government Agent Office
5016 – 50th Avenue
Phone: (250) 788-2239
Email: **GACHT@gems9.gov.bc.ca**

CHILLIWACK: BC Access Centre
1 – 45467 Yale Road
Phone: (604) 795-8415
Email: **GACHI@gems9.gov.bc.ca**

CHILLIWACK: Municipal Hall
8550 Young Road
Phone: (604) 793-2285
Email: **sanborn@gov.chilliwack.bc.ca**

CRANBROOK: Community Futures Development Corporation of the Southeast Region of BC
125 Cranbrook Street North
Phone: (250) 489-4356
Email: **cfdc@cintek.com**

DAWSON CREEK: BC Access Centre
1201 103rd Avenue
Phone: (250) 784-2224
Email: **GADAW@gems4.gov.bc.ca**

DEASE LAKE: Government Agent Office
Stikine Street
Phone: (250) 771-3700
Email: **GADEA@gems4.gov.bc.ca**

DUNCAN: BC Access Centre
5785 Duncan Street
Phone: (250) 746-1400
Email: **GADUN@gems8.gov.bc.ca**

FORT NELSON: Government Agent Office
Town Square
Phone: (250) 774-6945
Email: **GAFNE@gems9.gov.bc.ca**

FORT ST. JOHN: Community Futures Development Corporation of Peace River-Liard
9325 100th Street
Phone: (250) 785-6794
Email: **twilby@brc.prn.bc.ca**

GRAND FORKS: Government Agent Office
321 East Central Avenue
Phone: (250) 442-5444
Email: **GAGRF@gems1.gov.bc.ca**

KAMLOOPS: Government Agent Office
250 – 455 Columbia Street
Phone: (250) 828-4540
Email: **GAKAM@gems7.gov.bc.ca**

KAMLOOPS: Community Futures Development Corporation of Thompson Country
301 – 340 Victoria Street
Phone: (250) 828-8772
Email: **sculver@cfdctc.bc.ca**

KELOWNA: Community Futures Development Corporation of Central Okanagan
Enterprise Centre
100 – 2045 Enterprise Way
Phone: (250) 868-2132
Email: **info@cfdcco.bc.ca**

LANGLEY: Langley Chamber of Commerce
1 – 5761 Glover Road
Phone: (604) 530-6656
Email: **lynn@langleychamber.com**

LANGLEY TOWNSHIP: Municipal Hall
4914 221st Street
Phone: (604) 533-6040
Email: **admindept@township.langley.bc.ca**

LILLOOET: Economic Development Office
930 Main Street
Phone: (250) 256-7775
Email: **dale.wheeldon@lillonet.org**

MAPLE RIDGE: Government Agent Office
22787 Dewdney Trunk Road
Phone: (604) 467-6901
Email: **GAMAP@gems1.gov.bc.ca**

MASSET: Community Futures Development Corporation of Haida Gwaii
1730 Hodges Avenue
Phone: (250) 626-5594
Email: **futures@haidagwaii.net**

MERRITT: BC Access Centre
2176 Quilchena Avenue
Phone: (250) 378-9343
Email: **GAMER@gems6.gov.bc.ca**

MERRITT: Community Futures Development Corporation of Nicola Valley
2185B Voght Street
Phone: (250) 387-3923
Email: **swalter@mail.nicolavalley.com**

MISSION: Community Futures Development Corporation of North Fraser
32386 Fletcher Avenue
Phone: (604) 826-6252
Email: **fgornall@northfraser.org**

NANAIMO: BC Access Centre
13 Victoria Crescent
Phone: (250) 741-3636
Email: **GANAN@gems3.gov.bc.ca**

NELSON: BC Access Centre
310 Ward Street
Phone: (250) 354-6104
Email: **GANELSON@BCSC02.gov.bc.ca**

NELSON: Community Futures Development Corporation of Central Kootenay
540 Baker Street
Phone: (250) 352-1933
Email: **cfdcck@futures.bc.ca**

NORTH VANCOUVER: North Vancouver Chamber of Commerce
131 East Second Street
Phone: (604) 987-4488
Email: **nvtour@cofcnorthvan.org**

OSOYOOS: Community Development Centre
2nd Floor, 8711 Main Street
Phone: (250) 495-3366
Email: **obcdc@img.net**

PENTICTON: Government Agent Office
112 – 100 Main Street
Phone: (250) 492-1211
Email: **GAPEN@gems2.gov.bc.ca**

PORT ALBERNI: Community Futures Development Corporation of Alberni-Clayoquot
4757 Tebo Avenue
Phone: (250) 724-1241
Email: **jmschlac@cedar.alberni.net**

PORT HARDY: Government Agent Office
8755 Granville Street
Phone: (250) 949-6323
Email: **GAPHA@gems9.gov.bc.ca**

PORT MCNEILL: Community Futures Development Corporation of Mount Waddington
1547 Beach Drive
Phone: (250) 956-2220
Email: **Futures@island.net**

POWELL RIVER: Community Futures Development Corporation of Powell River Region
4717 Marine Avenue
Phone: (604) 485-7901
Email: **cfprpdk@aisl.bc.ca**

PRINCE GEORGE: BC Access Centre
1044 Fifth Avenue
Phone: (250) 565-4488
Email: **GAPRG@gems1.gov.bc.ca**

PRINCE GEORGE: Community Futures Development Corporation of Fraser Fort George
1566 Seventh Avenue
Phone: (250) 562-9622
Email: **cfdc@solutions-4u.com**

PRINCE GEORGE: Aboriginal Business Development Centre
3845 Fifteenth Avenue
Phone: (250) 562-6325

PRINCE RUPERT: Government Agent Office
201 Third Avenue West
Phone: (250) 624-7415
Email: **GAPRU@gems1.gov.bc.ca**

PRINCETON: Government Agent Office
151 Vermilion Avenue
Phone: (250) 295-6957
Email: **GAPRN@gems3.gov.bc.ca**

QUESNEL: BC Access Centre
102 – 350 Barlow Avenue
Phone: (250) 992-4313
Email: **GAQUE@gems5.gov.bc.ca**

REVELSTOKE: Community Futures Development Corporation of Revelstoke
204 Campbell Avenue
Phone: (250) 837-5345
Email: **cfdcrev@junction.net**

RICHMOND: Richmond Chamber of Commerce
150 – 5890 No. 3 Road
Phone: (604) 278-2822
Email: **rcc@chamber.richmond.bc.ca**

SAANICH: Municipal Hall
770 Vernon Avenue
Phone: (250) 475-1775
Email: **fletcherm@gov.saanich.bc.ca**

SECHELT: Community Futures Development Corporation of Sunshine Coast
205 – 5710 Teredo Street
Phone: (604) 885-5595
Email: **cfdc@sunshine.net**

SQUAMISH: Government Agents Office
1360 Pemberton Street
Phone: (604) 892-2400
Email: **GASQU@gems8.gov.bc.ca**

SKIDEGATE: Haida Guaii Community Futures
Unit 3 – Skidegate Community Futures
Phone: (250) 626-5594
Email: **Haida Guaii CFDC**

TERRACE: BC Access Centre
101 – 3220 Eby Street
Phone: (250) 638-6515
Email: **GATER@gems2.gov.bc.ca**

TRAIL: BC Access Centre
1050 Eldorado Street
Phone: (250) 364-0591
Email: **GATRA@gems6.gov.bc.ca**
After-hours appointments available.

VANCOUVER: Canada/BC Business Service Centre
601 West Cordova Street
Phone: (604) 775-5505
Email: **kuhnke.carl@cbsc.ic.gc.ca**

VANCOUVER: BC Ministry of Finance and Corporate Relations – Consumer Taxation Branch
605 Robson Street, 5th floor
Phone: (604) 660-4524 or 660-1104
NOTE: This site accepts ONLY cheque or money order for name registration payments.

VANCOUVER: SUCCESS
501 – 1788 West Broadway
Phone: (604) 732-3278
Email: **fetam@success.bc.ca**

VANCOUVER: North Vancouver Chamber of Commerce
131 East Second Street
Phone: (604) 987-4488
Email: **nvtour@cofcnorthvan.org**

VANDERHOOF: Government Agent Office
189 East Stewart Street
Phone: (250) 567-6301
Email: **Vanderhoof Government Agent**

VERNON: BC Access Centre
3201 30th Street
Phone: (250) 549-5511
Email: **GAVER@gems6.gov.bc.ca**

VICTORIA: BC Ministry of Finance Corporate Relations, Corporate & Personal Property Registries
2nd floor, 940 Blanshard Street
Phone: (250) 387-7848 or (250) 387-4471
Email: **Valerie.Adam@gems3.gov.bc.ca**

VICTORIA: BC Ministry of Finance, Consumer Taxation Branch
3rd floor, 1802 Douglas Street
Phone: (250) 387-0656

VICTORIA: Victoria Connects
G7 – 1001 Douglas Street
Phone: (250) 356-7915
Email: **GAVIC@gems1.gov.bc.ca**

WESTBANK: YMCA-YWCA Westside Works
1 – 2411 Drought Road
Phone: (250) 707-3037
Email: **jjbaars@silk.net**

WILLIAMS LAKE: Community Futures Development Corporation of Cariboo-Chilcotin
266 Oliver Street
Phone: (250) 392-3626
Email: **gailcf@midbc.com**

WILLIAMS LAKE: BC Access Centre
540 Borland Street
Phone: (250) 398-4211
Email: **GAWIL@gems7.gov.bc.ca**

What You'll Need

In order to complete the registrations, in all cases you will need to know the type of business ownership: proprietorship, partnership or corporation. Other information is required to complete the registrations. Please contact the above offices for detailed advice on what you will need. It is important to know that the agencies included in OneStop are likely not the only business registrations that you need to complete for your business. Find out more from the province's Resource Guide for BC Businesses, available at government agent offices. This information is available on the World Wide Web at **http://www.onestop.sb.gov.bc.ca**

Equity Capital Program

The Equity Capital Program (ECP) is the operating name of the investment incentive program set out in the Small Business Venture Capital Act. This program is designed to encourage private sector, arm's-length equity investments in BC-based businesses which undertake activities that enhance the export of BC- produced goods and services replace imports, or otherwise diversify BC's economy.

The prime objective of the ECP is to increase the availability of equity capital in BC and encourage investment in BC businesses, leading to business creation, expansion and preservation in value added" sectors of the provincial economy.

For more information, contact:

MINISTRY OF SMALL BUSINESS,
TOURISM AND CULTURE
Business Investment Branch
Fourth Floor, 1405 Douglas St.
Victoria, BC V8W 9W1
Phone: (250) 387-0225 or
Toll free: 1-800-665-6597
Fax: (259) 387-1080

Western Economic Diversification: Small Business Loan Program

Western Economic Diversification (WD) has arranged for a number of financial institutions to offer patient and flexible debt financing to small businesses in Western Canada, with particular emphasis on knowledge and export-based industries.

Whether your business has one employee or a few hundred, you may be able to take advantage of the flexible terms offered by our financial partners. WD loan programs help a wide range of small businesses involved in advanced technology, advanced materials and advanced manufacturing technologies, information technology and telecommunications, knowledge-based industries, health industries, biotechnology, environmental technology, agricultural value-added processing and tourism industry.

For more information contact:

WESTERN ECONOMIC DIVERSIFICATION
Suite 700
601 W. Hastings St.
Vancouver, BC V6B 5G9
(604) 666.6256 or
Toll Free: 1-888-338-9378
www.wd.gc.ca

APPENDIX A

List of Business Terms

Accounts payable: Money owed by a person or business accounts to be paid

Accounts receivable: Money owed to a person or business by customers

Agent: A person authorized to act for another person, referred to as the principal, in dealing with a third person

Assets: Everything that money value can be assigned to, such as equipment, land, cash, and money to a person or business (accounts receivable)

Balance sheet: The liabilities of a business subtracted from the assets; what is owned minus what is owed to a business. Sometimes the balance sheet is called a "statement of net worth" because the figure that results from assets minus liabilities is net worth

Business plan: A written summary of a business and its plans for reaching its goals

Capital: Money or property owned or used in business

Collateral: Things with value used to secure or guarantee a loan; most lending institutions will not loan money that is not secured by collateral

Company-owned: An outlet owned and operated by a parent company unit:

Confidentiality: Keeping an idea or invention to ones self so it doesn't get copied

Copyright: Protection from being copied or stolen; given by law to creative works such as writing, songs, computer software, video and other images; one of four forms of protection for ideas available in Canada

Dealer: A person or firm that markets a product in a particular area

Distributor: Middle person, wholesaler; agent or business firm that distributes goods to dealers or to other companies

Entrepreneur: A person who organizes, operates, assumes the risk for and gets the benefits of a business venture

Finances: Money

Franchise: A kind of business involving three essentials: a franchise fee, a common trade name, and a continuous relationship with a parent company

Grant: Money that does not usually have to be paid back, provided that the rules under which the grant was given are followed

Gross profit: Profit before income tax has been paid

Income: Money or revenue coming into a business

Industrial design: Protection for an invention's shape and appearance against anyone making one like it; one of four protections for ideas in Canadian law

Invention: A new product, process, or way of doing something. To be patentable, an invention has to be new, useful, not obvious beforehand and a technological improvement over what existed before

Invest: Put money into business to get a profit

Leads: Names and contact information for potential customers

Manufacturer: A person or business who makes or manufactures a product

Market: A group of buyers; trade, buying and selling

Marketing: All the things involved in making sales

Market Research: Finding out as much as possible about potential buyers or customers, including the competition they buy from now

Market Survey: A survey of a particular group of possible customers or an aspect of a market. Examples of market surveys include pricing studies, test product surveys, surveys that look at the needs of a group of end users, and studies of shifting trends

Middle Person: A person or firm specializing in services involved in the purchase and subsequent sale of goods

Net Profit: Profit after income tax and all other costs have been paid

On Consignment: Goods shipped or turned over to an agent for sale, with payment to the shipper to follow sale, or products given to a retail outlet with payment to follow retail sale

Operator: An entrepreneur who buys a business opportunity

Patent: The legal right to own an invention in Canada for which royalties can be charged. A patent is protection against others making, using, or selling an invention without the inventor's permission

Principal: A person who appoints another to act as an agent

Profit: Return to a business person after all expenses and costs, including taxes, have been paid out of revenue

Protected Territory: Exclusive territory in which to sell a product or service; granted to an operator by a parent company

Prototype: A working or demonstration model of an idea or invention that proves it really works

Rack Jobber: A wholesaler serving retail stores; selects, assembles, prices and delivers merchandise, and arranges and maintains the display on the shelves or racks on a dealers floor; sells primarily on a consignment basis, but frequently on other terms

Retail: Handling sales to the final consumer of goods and services, often in small quantities and amounts

Revenue: Money coming into a business, often called income

Royalties: Charges an inventory can collect for the right to make or sell a patented invention or copyrighted work

Security: Another name for collateral; something given as a pledge of repayment

Turnkey: Everything you need to start a business is in place; all you need to do is turn the key

Wholesaler: A middle person who sells to retailers and other merchants, or to industrial, institutional and commercial users but not usually directly to end customers

Worth, net worth: The total assets of a business or person, including cash, land, accounts payable, etc., Minus total liabilities (the value of all debts); a balance sheet showing assets and liabilities is sometimes called a statement of net worth

APPENDIX B

List of Resources

Many materials were consulted in the preparation of this manual. There is not space to credit all of them. Most are available at libraries bookstores, or from the fol1owing sources:

Government Publications

The following lists are published by the Ministry of Small Business, Tourism and Culture. These publications can be obtained from your nearest Chamber of Commerce.

- Exploring Business Opportunities: A Guide for Entrepreneurs. Suggestions for discovering and testing new venture ideas
- Business Planning and Financial Forecasting. Guidelines for business planning, attracting investors and applying for financial assistance; worksheets for preparing your own cash flow forecast
- Resource Guide For BC Businesses: Information and Guidelines. A reference of the most commonly asked questions

Popular Small Business Magazines

Here is a list of magazines that focus on small and home-based businesses. They are available from on local newsstands and are frequently now available on line. Use your search engine to locate their Internet addresses:

- BC Business
- Business Start-Ups
- Business In Vancouver
- Canadian Business
- Entrepreneur
- Family Business
- Franchise Times
- Home Business Report
- Home Worker
- In Business
- Inc
- Industry Week Growing Companies
- Minority Business Entrepreneur
- Nation's Business
- Profit Small Business
- Self-Employed America
- Small Business Canada
- Small Business Journal
- Small Business News
- Small Business Tax Review
- Spare Time
- Success
- Wealth Building
- Your Company

Web Sites

Here are some useful Internet site locations where information for small and home-based businesses is available, usually for free:

- BC Ministry of Small Business, Tourism and Culture: **www.tbc.gov.bc.ca**
- Business Development Bank of Canada: **www.bdc.ca**
- Canadian Business at Home Network: **www.home-bus.com**
- Canada/BC Business Service Centre: **www.sb.gov.bc.ca**
- Canadian Business Service Centre: **www.cbsc.org/main.html**
- Canada Customs and Revenue Agency: **www.rc.gc.ca**

- Canadian Internet Business Directory: **www.CIBD.com**
- Canadian Youth Business Foundation: **www.cybf.ca/frames/index.htm**
- Community Futures Development Association of BC: **www.communityfutures.ca**
- Cooperative Development Program: **www.co-op.sb.gov.bc.ca**
- Dun & Brad Street: **www.DBISNA.com/dnb/dnbhome.htm**
- Entrepreneur Magazine : **www.entrepreneurmag.com**
- Franchise Annual: **www.vaxxine.com/Franchise**
- Home Business Report: **www.homebusinessreport.com**
- Human Resources Development Canada: **www.hrdc-drhc.gc.ca**
- Inc Online: Resource for growing your small business: **www.Inc.com**
- Internet World Magazine: www.iw.com
- Motive8 Online: **www.motiv8.com**
- One Start Access : **www.onestart.net/engine/**
- Small and Home Based Business Links: **www.bizoffice.com/index/html**
- Western Economic Diversification Canada: **www.wd.gc.ca**
- Women and Business: **www.web-search.com/women/html**
- Youth Business and Entrepreneurship Training Program: **www.youth.gov.bc.ca/programs/youth**
- Youth Resource Network of Canada: **www.youth.gc.ca**
- Lets Talk Business: **www.ltbn.com/**
- **AllBusiness.com**
- **BizLand.com**
- **digitalwork.com**
- **Entreworld.org**
- **Ideacafe.com**
- **Office.com**
- **Onvia.com**
- **Smartonline.com**
- **Workz.com**
- **SBA.gov**
- **Edge.lowe.org**

Associations

Here's a list of associations in British Columbia or elsewhere that home-based business owners may wish to consider joining:

Homebased Business Association services include:

Canadian Home and Micro Business Federation
4124 Embassy Place
Victoria, BC
V8X 2M4
Phone: (250) 708-0250
Toll Free: 1-888-497-1347
Fax:(250) 414-0260
E-mail: **lorne@pacificcoast.net**
Web: **www.homebiz.ca**

Western Businesswomen's Association

1107 Homer Street
Vancouver, BC
V6B 2Y1
Phone: (604) 688-0951
Fax: (604) 681-4545
E-mail: **ssu@istar.ca**

Association of Women Business Owners, Lower Mainland B.C.
Suite 1000, 355 Burrard Street
Vancouver, BC
V6C 2GB
Phone: (604) 878-6699
Fax: (604) 733-5668

Crafts Association of BC
1386 Cartwright St.. Granville Island
Vancouver, BC
V6H 3R8
Phone: (604) 687-6511
Toll Free: 1-888-687-6511
Fax: (604) 687-6711
E-mail: **cabc@bc.sympatico.ca**
Web: **www.cabc.net**

First Nations Employment and Enterprise Centre
#1O1A-440 Cambie Street
Vancouver, BC
V6B 2N5
Phone: (604) 605-8901
Fax: (604) 605-8901
E-mail: **job@firstnationsemployment.com**
Web: **www.firstnationsemployment.com**

National Aboriginal Business Association
108 – 100 Park Royal
West Vancouver, BC
V7T 1A7
Phone: (604) 913-0699
Fax: (604) 913-0559
E-mail: **nationalaboriginal@home.com**

Business Council of British Columbia
Suite 810 – 1050 West Pender Street
Vancouver, BC
V6E 3S7
Phone: (604) 684-3384
Fax: (604) 684-7957
E-mail: **info@bcbc.com**
Web: **http://www.bcbc.com**

Canadian Federation of Independent Business
Ste. 1430 – 625 Howe Street
Vancouver, BC
V6C 2T6
Phone: (604) 684-5325
Fax: (604) 684-0529
Web: **www.cfib.ca**

Young Entrepreneurs Association
Phone: (604) 878-7777
Fax: (604) 730-8802
E-mail: yea@yea.com
Web: **http://www.yea.ca**

SUCCESS Small Business Development and Training Centre
501 – 1788 West Broadway
Vancouver, BC
V6J 1Y1
Phone: (604) 732-3278
Fax: (604) 732-9818
E-mail: **fetam@success.bc.ca**
Web: **http://www.success.bc.ca/business**

APPENDIX C

Organizations

General Organizations and Sources for Information on Small Business:

- Chambers of Commerce, Boards of Trade
- Regional Economic Development Commissions and societies such as Community
- Futures Development Corporations
- Women's Enterprise Society of BC
- Economic Development Centres and Committees often advising municipal governments
- Municipal arid City Governments and Planning Offices, arid Regional District Offices
- Government Agents Offices
- Trade Industry and Professional Associations
- Financial Institutions: banks, trust companies and credit unions
- Accounting Firms: large ones publish newsletters and brochures
- Colleges, Universities, School Districts and the Open Learning Agency: business courses and business/economic development centres and business courses
- Women's Centres

Provincial Organizations

CANADA/BRITISH COLUMBIA BUSINESS SERVICE CENTRE
601 West Cordova St.
Vancouver, BC V6B 1G1
Tel: (04) 775-5525
Fax: (604) 775-5520
Info fax: (604) 775-5515
Toll free: 1-800-667-2272
www.sb.gov.bc.ca

MINISTRY OF EMPLOYMENT & INVESTMENT

BC Trade & Investment Office
Suite 730-999 Canada Place
Vancouver, BC V6B 3E1
Tel: (604) 844-1900
Fax: (604) 660-2457
www.ei.gov.bc.ca

ALLIANCE OF MANUFACTURERS AND EXPORTERS CANADA
Suite 1330, 1100 Melville Street
Vancouver, BC V6E 4A6
Tel: (604) 713-7800
Fax: (604) 685-9623
www.the-alliance.com

INDUSTRY CANADA
Suite 2000, 300 West Georgia Street
Vancouver, BC V6B 6E1
Tel: (604) 666.5000
Fax: (604) 666-8330
(general #'s to reception)
www.strategic.ic.gc.ca

PROVINCIAL INCORPORATION CORPORATE AND PERSONAL PROPERTY REGISTRIES
Ministry of Finance and Corporate Relations
940 Blanshard Street, 2nd floor
Victoria, BC V8W 3E6
Tel: (250) 387-7848
www.fin.gov.bc.ca/registries/corppg/default.htm

STATISTICS CANADA
Pacific Region
Library Square Office Tower
Suite 600 – 300 W. Georgia Street
Vancouver, BC V6B 6C7
Tel: (604) 666-3691
Fax: (604) 666-4863
www.statcan.ca

Government of Canada
Public works and Government Services
Crown Assets Disposal
12171 Horseshoe way
Richmond, BC V7A 4Z6
Tel: (604) 664-4524
Fax: (604) 666-0644
www.wair.qp.gov.bc.ca

Consumer Taxation Branch
605 Robson Street
Vancouver, BC V6B 5J3
Tel: (604) 660-4524
Fax: (604) 660-1104
www.fin.gov.bc.ca/ctb

Business Development Bank of Canada
Business Service Centre
505 Burrard Street
1 Bentall Centre – Main Floor
V7X 1V3
Tel: (604) 666-7850
Fax: (604) 666-7859
Toll free: 1-888-463-6232
www.bdc.ca

Vancouver Public Library
Business and Economic Division
350 W. Georgia Street
Vancouver, BC V6B 6B1
Tel: (604) 331-4000
Fax: (604) 331-3800
www.vpl.vancouver.bc.ca
info @ vpl.vancouver.bc.ca

Western Economic Diversification Canada
601 W. Hastings
Vancouver, BC V6B 5G9
Tel: (604) 666-6256
Fax: (604) 666-2353
Toll free 1-888-338-9378
www.wd.gc.ca

Woman's Programs Ministry of Women's Equality
c/o Government Agent
5th Floor, 712 Yates St.
Victoria, BC V8W 1L4
Tel: (250) 387-3613
Fax: (250) 356-1396

Community Futures Development Corporations (C.F.D.C's)
Abbotsford – CFDC of South Fraser
32315 S. Fraser Way
Tel: (604) 864-5770
Email: **cfdcofsf@uniserve.com**
Web: **www.startsmart.biz.com**

Ashcroft – CFDC of Sun Country
PO Box 1480, 310 Railway Ave.
Tel: (250) 453-9165
Email: **suncntry@wkpowerlink.com**
Web: **www.communityfutures.ca/bc/suncountry**

Campbell River – CFDC of Strathcona
2 – 920 Alder Street
Tel (250) 830-1141
Email: **cfdcs@island.net**
Web: **www.strathfutures.bc.ca**

Chilliwak – CFDC of STO-LO
6-7201 Vedder Rd
Tel: (604) 858-0009

Cranbrook – CFDC of Southeast Region of BC
125 Cranbrook St. N.
Tel: (250) 489-4356
Email: **cfdc@cintek.com**
Web: **www.cintek.com/cfdc/**

Dawson Creek Office – CFDC of Peace River-Liard
10805-14th St.
Tel: (250) 782-8748
Email: **cfdcpl@sun.pris.bc.ca**

Duncan – CFDC of Cowichan Region
135-3rd Street
Tel: (250) 746-1004
Email: **cfdc@cowichan.com**
Web: **cowichan.com/comfut/comfut.htm**

Fort St. John – CFDC of Peace River-Liard
9325-100th Street
Tel: (250) 785-6794
Email: **twilby@brc.prn.bc.ca**

Grand Forks – CFDC of the Boundary Area
PO Box 2949, 131 Central Ave.
Tel: (250) 442-2722
Email: **darsen@wkpowerlink.com**

Greenwood – CFDC of the Boundary Area
PO Box 459, Greenwood
Tel: (250) 445-6618
Email: **darsen@wkpowerlink.com**

Houston – CFDC of Nadina
PO Box 236, Hwy. 16, 2nd Floor
Houston Mall
Tel: (250) 845-2522
Email: **nadina@mail.bulkley.net**
Web: **http//district.houston.bc.ca/cfdcofnadina**

Kamloops – CFDC of Centrat Interior First Nations
Suite 215 Yellowhead Hwy.
Tel: (250) 828-9833
Email: **fncfdc@wkpowerlink.com**

Kamloops – CFDC of Thompson Country
#301-340 Victoria Street,
Tel: (250) 828-8772
Email: info@cfdctc.bc.ca
Web: **www.cfdctc.bc.ca/**

Kelowna – CFDC of Central Okanagan
100-2045 Enterprise Way
Tel: (250) 868-2132
Email: **info@cfdcco.bc.ca**
Web: **www.cfdcco.bc.ca/**
Services: Kelowna, Peachland, Westbank, Lake Country, Winfield, Oyama, Lakeview Heights, Okanagan Centre & Joe Rich-Ellison areas.

Massett – CFDC of Haida-Gwaii
PO Box 645
Tel: (250) 626-5594
Toll-free: 1-888-328-5594
Email: **guest2@hgqc.csc.bc.ca**

Merritt – CFDC of Nicola Valley
PO Box 159, 2185B Voght Street
Tel: (250) 378-3923
Email: **cfdc@nicolavalley.com**
Web: **www.nicolavalley.com/~cfdc/index.html**

Mission – CFDC of North Fraser
32386 Fletcher Avenue
Tel: (604) 826-6252
Email: **cfdc@northfraser.org**
Web: **www.northfraser.org/**

Nanaimo – FDC of Central Vancouver Island
420 Albert Street
Tel: (250) 753-6414
Email: **info@cfnanaimo.org**
Web: **www. cfnanaimo.org**

Nelson – CFDC of Central Kootenay
540 Baker St.
Tel: (250) 352-1933
Email: **cfdcck@futures.bc.ca**
Web: **www.futures.bc.ca**

Penticton – CFDC of Okanagan-Similkameen
3115 Skaha Lake Rd.
Tel: (250) 493-2566
Email: **info@cfdcokanagan.com**
Web: **www.cfdc.okanagan.com**

Port Alberni – CFDC Nuu Chah Nulth
Economic Development corporation
PO Box 1384, 208-5001 Mission Rd.
Tel: (250) 724-3131
Email: **nedc@island.net**

Port Alberni – CFDC of Alberni-Clayoquot
4757 Tebo Avenue
Tel: (250) 724-1241
Email: **cfdc@cedar.alberni.net**
Web: **www,alberni.net/-cfdc/**
Services: Bamfield, Ucuelet, Tofino and Regional Districts of Alberni-Clayoquot

Powell River – CFDC of Powell River
4717 Marine Avenue
Tel: (604) 485-7901
Email: **cfprpdk@aisl.bc.ca**
Web: **www.armourtech.com~comfuture/**

Port Mcneill – CFDC of Mount Waddington
Box 458,8-311 Hemlock St.
Tel: (250) 956-2220
Email: **Futures@island.net**
Web: **www.island.net/~futures/**

Prince George – CFDC of Fraser Fort George
1566 7th Avenue
Tel: (250) 562-9622
Email: **general@cfdc.bc.ca**
Web: **www.cfdc.bc.ca/**

Prince Rupert – CFDC of the Pacific North West
200-515 3rd Avenue West
Tel: (250) 622-2332
Email: **cfdcnw@citytel.net**

Quesnel – CFDC of the North Cariboo
679 Hwy.97 South
Tel: (250) 992-5626
Email: **cfgreg@quesnelbc.com**

Revelstoke – CFDC of Revelstoke
Box 2398,206 Campbell Avenue
Tel: (250) 837-5345
Email: **cfdcrev@junction.net**
Web: **www.revelstokecc.bc.ca/rcdc/default.htm**

Salmon Arm – CFDC of Shuswap
Box 1930, 751 Marine Park Dr., NE
Tel: (250) 832-2118
Email: **myers@futureshuswap.bc.ca**
Web: **www.shuswap.net/cfuture/**

Sechelt – CFDC of Sunshine Coast
Box 128, 205 – 5710 Teredo St.
Tel: (604) 885-1959
Email: **cfdc@sunshine.net**
Web: **www.communityfutures.org**

Squamish – CFDC of Howe Sound
201A-38164 Clevland Ave
Tel: (604) 892-5467
Email: **cfdc@mountain-inter.net**

Sooke – CFDC of Juan De Fuca
Box 1155
Tel: (250) 642-1510
Email: **jdfcf@home.com**

Terrace – CFDC of 16-37
#204-4630 Lazelle Ave
Tel: (250) 635-5449
Email: **1637cfdc@kermode.net**
Web: **www.kermode.net/1637cfdc/**

Trail – CFDC of Greater Trail
2950 Highway Dr.
Tel: (250) 364-2595
Email: **info@communityfutures.com**
Web: **www. communityfutures.com**

Vanderhoof – CFDC of Stuart-Nechako
PO Box 1078, 115 – 2750 Burrard St.
Tel: (250) 567-5219
Email: **cfdcsn@hwy16.com**
Web: **www.hwy16.com/~cfdcsn/**

Vernon – CFDC of North Okanagan
302-3105 33rd St.
Tel: (250) 545-2215
Email: **info@nocdc.bc.ca**
Web: **www.nocdc.bc.ca**

Williams Lake – CFDC of Cariboo-Chilcotin
266 Oliver Street
Phone Toll-free: 1-888-879-5399
Email: **Karencf@stardate.bc.ca**
Web: **www.geocities.com/~lateral97/CFDC/default.htm**

Canadian Organizations

Canadian Organization of Small Business
3555 Don Mills Road
Unit 6-105 /
Willowdale, Ontario M2P 2A6
Tel: (416) 534-7324
Fax; (416) 537-2545

Canadian Council for Aboriginal Business
2044A St. George Street
Toronto, Ontario M5R 2N5
Tel: (416) 961-8663
Fax: (416) 961-3995
www.ccab-canada.com

Canadian Government Publishing
Ottawa, ON K1A 0S9
Toll-free: 1-800-635-7943
Local: (819) 956-4800
Fax: 1-800-565-7757
http://publications.pwgsc.gc.ca

Canadian Federation of Independent Business
Suite 1430-625 Howe St.
Vancouver, BC V6C 2T6
Tel: (604) 684-5325
Fax: (604) 684-0529
www.cfib.ca

The Entrepreneurship Institute of Canada
75 King Street South, Waterloo Square
PO Box 4043
Waterloo, Ontario N2J 4V1
Tel: (519) 885-1559
Fax: (519) 885-0990
Toll-free: 1-800-665-4497
Email: **entinst@sympatico.ca**
Web: **www.entinst.ca**

Sources Of Funds Index
Canadian Reference Directory
71 Longboat Avenue
Toronto, Ontario M5A 4C9
Tel: (416) 777-0180
Fax: (416) 868-0274
Email/Web; **Canadabiz@homestead.com**

APPENDIX D

Different Kinds of Home-Based Business Opportunities

You may have a clear idea about the business you want to start. The different kinds of opportunities on the list show the scope of the business world and the range of possibilities in it.

- Producing a product
- Providing a service
- Becoming an agent for someone's product or service
- Importing products and services made outside Canada
- Rebuilding or remanufacturing products
- Taking local markets to new markets
- Imitating successful products or business ideas
- Buying the right to make or sell a product, or selling the right to a product you own to another person to make or sell, often in another area
- Offering replacement products for goods now imported
- Inventing or locating an invention you can patent or claim rights to
- Transferring a system, a product, service, or skills from one type of business industry to another
- Identifying market gaps or shortages and filling them
- Buying a franchise

Some of the most profitable home-based businesses are in these areas:

- pet care and grooming
- event planning

- landscape/gardening
- light manufacturing
- hair styling
- maid service
- computer services
- bed and breakfast
- home care
- consulting
- catering
- daycare
- counselling
- herb growing
- multi-level marketing

Some Ideas for Home-Based Businesses

Animal boarding, care

Audio and visual production services

Bed and breakfast

Answering Service

Art gallery and sales, in-home

Baking, specialty products (non-wheat, additive free, low salt)

Baby items

Beekeeping, honey production

Child Care, elder care, special needs support

Car services, specialized

Catering, food or sector specialty (gourmet or film industry)

Children and specialty entertainment, e.g, clowns, magicians

Cleaning, house and commercial/institutional

Computer Mapping

Consultant, wide range of services and subjects

Computer Services, design, create, do layout; publish; manage other people's data; provide mail order services; publish price lists, catalogues, listings, newsletters; rent equipment or time on computer systems; write or print resumes, proposals, reports; sell data; teach about computing or using available software programs; teach other skills and subjects; troubleshoot; write programs

Convention and conference planning, logistics and support

Cooking services, specialty or targeted

Distributing

Event and party planning

Farming, specialty, including organic, herb, special product (kiwi, holly)

Design and layout, creative services in producing documents and audiovisuals

Door-to-door selling

Fashions, specialty (maternity, children's clothing, applique)

Desktop Publishing

Energy services (energy loss detection, energy efficient planning and renovation)

Food Products, particularly those tied to trends, natural food, non-beef items, low fat, concern with food purity

Footwear

Fundraising

Furniture polish, wax, stain

Furniture repair, small-scale manufacture

Glass blowing and design, retail and industrial/commercial

Gardening, yard and lawn maintenance, landscaping

Guided tours and sightseeing

Gift basket service

Hobby, craft, and art supplies

Home renovations and maintenance

Image consulting (ward-robe, communication, and executive seminars for professionals)

Importing

Information service, consulting or information brokering

Interior design, commercial or residential

Internet Research

Jewellery, original designs and work, repair

Lawn and garden care

Mail order services

Maternity fashions and specialty products

Leisure activities, including instruction

Media productions and services

Novelty items (T-shirts, mugs) targeted to certain market, e,g.. new parents or grandparents

Office planning office systems design. installation

Packaging. retail and "breaking bulk," sorting large quantities into smaller ones and repackaging them for sale

Personal services, housesitting, errands

Personal shopping

Photo postcards, picture postcards

Photography and photographic services

Polishes and cleaning products

Pottery, particularly specialty styles and products

Placement and assistance (temporary help) services

Printshop, various services related to copying, printing, document production

Pool cleaning

Professions that don't require special facilities, eg.., accountant. lawyer, public relations and management consultants

Publishing and publishing services (editing)

Rebuilding or remanufacturing

Recreation

Research

Resume's

Seminars and courses, workshops

Sewing and tailoring

Shoe repair

Sports equipment

Telephone soliciting service

Training arid training materials

Tutoring and instruction

Videotaping

Wordprocessing

Writing

APPENDIX E

Entrepreneurial Evaluation

How Do You Rate as an Entrepreneur?

Instructions: Read each statement and check "yes" or "no."

1 I understand myself and my potential which makes me optimistic and enthusiastic when I undertake something.
☐ YES ☐ NO

2 When I am asked, or if I decide, to plan. work out and do a difficult project, I usually complete it in at least a satisfactory manner.
☐ YES ☐ NO

3. When I believe in something I can convince others of its merits.
☐ YES ☐ NO

4. I realize that success depends on wanting something, will-power, and personal discipline; I have those three things.
☐ YES ☐ NO

5 Although I take other people's opinions into account, I keep the right to make final decisions.
☐ YES ☐ NO

6. I believe that first steps to success include setting personal goals and planning how to achieve them; I have done or am doing this.
☐ YES ☐ NO

7. I enjoy giving my best to everything I do; successfully completing a job gives me a feeling of satisfaction.
☐ YES ☐ NO

8. I would like to be my own boss and make my own decisions, although I know this requires a lot of work arid discipline.
☐ YES ☐ NO

9. I feel comfortable about managing other people, including telling them what to do and having to make all the important decisions by myself or with others who are directly affected.
☐ YES ☐ NO

10. I know how to motivate my colleagues at work. or my staff. and believe I would be able to motivate my business partners and employees by giving then a sense of my own enthusiasm.
☐ YES ☐ NO

12. I am not afraid to work hard and for long hours if it is necessary. I can do several things at the same time.
☐ YES ☐ NO

13. When I decide to do something, even if it is complicated. I give it everything I have, overcoming obstacles as they appear.
☐ YES ☐ NO

14. I find unexpected situations stimulating, especially when I'm organized and know what I'm doing; I don't mind taking risks or facing uncertainty.
☐ YES ☐ NO

15. I believe that work strengthens my character and abilities, makes the most of my potential, and makes life more interesting.
☐ YES ☐ NO

16. For me, money is a good measure of success.
☐ YES ☐ NO

17. I take calculated or intelligent risks; I've learned some differences between taking risk informed and being foolhardy.
☐ YES ☐ NO

18. Everyone's life is full of problems. The trick is to learn how to solve the problems and adjust your life to changes that come.
☐ YES ☐ NO

19. Success is not the result of luck, but the fruit of good planning and hard work (maybe fertilized with luck!)
☐ YES ☐ NO

20. I take the time to check back on the results of my decisions and reflect on whether or not they were good decisions the best I could have made at the time – and what I've learned since.
☐ YES ☐ NO

21. I am always thinking of new and better ways to do things.
☐ YES ☐ NO

22. I find it hard to do nothing or sit still. The sense of accomplishment that goes with responsibility for getting things done gives me energy.
☐ YES ☐ NO

23. I can make long-term commitments and plans to accomplish my goals and get where I want to go.
☐ YES ☐ NO

24. My parents, relatives or close friends of the family were in business.
☐ YES ☐ NO

25. I have some previous experience managing individuals and work.
☐ YES ☐ NO

26. I really enjoy participating in clubs, associations and groups, and I have done different jobs in them.
☐ YES ☐ NO

27. Whenever I have spare time I like to research practical, concrete ideas.
☐ YES ☐ NO

Total the "Yes" answers, and assess the score:
22-26: Most likely to be successful in business
17-21: Capable of making a business succeed
13-20: Able to make a business succeed but may not have actively thought about it or analyzed what is involved in running a business

9-12: Lacks some qualities but with some work can be successful
8 points or fewer: Unlikely to be successful alone; should consider working for someone else or getting a senior partner who can manage the business
To help you identify areas of strength and weakness, consider each set of questions as a group:

- Questions 1-8 determine your motivation.
- Questions 9-14 indicate business orientation.
- Questions 15-18 indicate business attitudes.
- Questions 9-22 assess your genuine interest in business as a life goal.
- Questions 23-26 help determine familiarity with business and management.

Source: Adapted from Devenez Entrepreneur Quebec, Les Presses de l'Universite, Laval, 1986, Fortin, Paul A. We thank the Foundation de' l'Enrepreneurship for granting permission to use this material

APPENDIX F

Self-Analysis Questions

Here's a list of questions to ask yourself about your readiness to operate a home-based business:

Personal Resources

- Do I have the energy to tolerate long hours and concentrated effort?
- Do I have the self-direction to work alone?
- Do I have techniques in place to control potential stress?
- Do I have the confidence to accept any failures and turn them into opportunities?

Life Style

- Can I communicate my feelings and dreams positively to my family?
- Will I keep my family informed and involved?
- Will I be able to say "no" to holidays or leisure activities if necessary? Will those who go without me understand?
- Will I be able to maintain a personal and family life as well as run a business?
- Can I prepare my self to not have a personal life for some time?

Finances

- Will I be able to budget my business expenses and stick to the limits I set?
- Do I understand financial statements and why they are important to my business?
- Do I appreciate the importance of tracking and controlling expenses, inventory and debt?
- Are alternate sources of income available for living expenses?

- Am I realistic about household and life expenses and sources of income that can be depended on until the business gets established?

Stability

- Is my home-life financially organized and can the business income he secured from household demand?
- Am I healthy, with energy reserves and emotionally prepared for business stress and success?
- Does every family member appreciate my objectives and how important the business is to me, to us?
- Do they support me?
- Will my home life remain stable if my business fails?

Professionalism

- Am I willing and able to work long hours for future benefits?
- Am I realistic about how long success may take, and committed to making the business work?
- Are my planning skills and sense of responsibility strong enough to build a successful venture?
- Do I have the knowledge to make this particular business succeed, or should I be securing that knowledge first?
- Do I want business success enough to set and keep high standards of products and services?

APPENDIX G

Home-Based Business Reference Manual

The general outline of the business reference manual was introduced in the text. The following list expands on the usual contents of reference manual sections.

General Business Information

- business name, structure, names of all involved, addresses
- purpose of business product or service, significant dates
- layout of physical working space showing outlets, etc..
- map showing trading areas and key sites related to business
- information on the competition in your trading area
- names and contact numbers for key business contacts; bank or lender, accountant, bookkeeper

Responsibilities

- owner/operator, outline of main responsibilities and tasks
- responsibilities and tasks for any helpers, volunteer or paid instructions for helpers on how to handle any likely emergencies

Handling Mail

- categories in which to sort mail as it comes in, eg.. action, reading, personal, by project directions on what to do with mail in each category

Communication

- telephone system information, including business telephone number, any calling card number (used for billing)
- telephone answering primer – message on the answering machine, how the telephone is to be answered and messages to be taken
- photocopy center or print shop: address and directions, price, any special services and costs
- fax services: address of public fax service, charges for sending and receiving, fax number, any special services and costs, instructions for preparing documents to send by fax, sample fax cover sheet
- electronic network information name of networks of electronic billboards and instructions for calling to get on-line

Word processing

- samples of blank letterhead and all business forms
- samples of most commonly sent letters (style, layout)
- summary of instructions on preparing letters, reports, any documents regularly produced, including typeface and layout
- directions on how to mail or send regular, rush and priority items, e.g. fax courier or priority post, first class mail
- outline of acceptable standards – for typing mistakes. smudges on paper, use of white-out, etc.

Filing Systems

- chronological file system; where it is and how to use it
- main records filing system; how it is set up, names of main categories

Equipment and Supplies

- main supplies ordered regularly, for office and production; where supplies and materials are kept
- names of main suppliers
- annual calendar for ordering supplies; include ordering instructions

Client and Customer Information

The Contacts File is usually kept separately from the reference manual but a section of the manual can be used for client information, or a separate binder established as a contacts file.

- name, personal and business
- position in business or relationship to your business
- contact information, including telephone, address, fax; details about initial contact, and follow-up; purpose, how contact was concluded
- purchases to date
- any special information you may want to access quickly.

APPENDIX H

Filing System Categories

Use this as a guide to a main records filing system. Start with the main categories, e.g., Administration, Communications, and add to your Filing system as you need to.

Administration

1-1 General Administration

1-2 Automobile

1-3 Courier Service

1-4 Depreciation

1-5 Equipment

1-6 Electrical

1-7 Furniture

1-8 Insurance

1-9 Licenses

1-10 Mail

1-11 Telephone

1-12 Utilities

Communications

2-1 General Communications

2-2 Advertising

2-3 Contacts

2-4 Brochures and Promotion Materials

2-5 Government Correspondence

2-6 General Correspondence (when individual files are not opened)

2-7 Clippings, Newspaper/Magazine

2-8 Public Relations

2-9 Subscriptions

2-10 Competition

Consultants and Professionals

3-1 General Consultants and Professionals

3-2 Administration and Management (including-11 Taxation office systems)

3-3 Business-specific (3-3-4 Computer;

3-3-5 Financial; 3-3-6 Marketing)

Education and Training

4-1 General Education and Training

4-2 Client/Customer Education

4-3 Business Education and Training

4-4 Conferences and Conventions

4-5 Seminars and Workshops

4-6 Business Management Training

Financial

5-1 General Financial

5-2 Accountants and Auditor

5-3 Accounts Payable

5-4 Accounts Receivable

5-5 Bank; Correspondence

5-6 Bank; Loans, Credit

5-7 Rank Signing Authority

5-8 Bank: Statements

5-9 Bank: Reconciliation to end of section

5-10 Business Financing

5-11 Taxation

5-12 Contracts

Forms

6-1 General Forms

6-2 Alphabetical list by form to end of section

APPENDIX I

Primary Market Research Techniques

	Pros	Cons
Focus groups (8-12 people)	• In-depth probing • Wide open responses • Observation of interaction and dynamics of participants	• Requires a professional facilitator • Additional cost of room and observers
Questionnaire	Consistency & objectivity Can calculate responses Additional questionnaires can be prepared if necessary	• Inflexible • Time consuming to prepare, print and calculate responses
Surveys prepared by college or business students	• Inexpensive • Third party • Survey prepared under guidance of program instructor • Many students can carry out a range of data collection	• Priorities and time frame may not be the same as yours • Inexperienced at obtaining information
Informal talks with customers	• Open and revealing responses • Inexpensive • Subjective and non-verbal info • Opportunity to ask unprepared additional questions	• Subjective • Time consuming • Must prepare key issues in advance • Responses may be vague and contradictory without much thought
Interviews (one on one)	• Face to face discussions • Combines objective and subjective information • Opportunity to obtain additional comments	• Requires more prep time to develop closed and open ended (probing) questions • Time consuming to arrange appointments • Few people may be willing to be a subject

	Pros	Cons
Internet	• Able to reach a broad cross section of people from all over the world • Very inexpensive • Responsive can be immediate	• No personal interaction to fully assess or discuss feedback • Not all people who respond are your potential market • People will not have hands-on experience with product
Competitors	• Observations on traffic counts, average sale checks and customer patterns • Observations on any market aspect, i.e., location, advertising, pricing, etc • Competition in other communities willing to talk to someone who won't be a threat	• Biased • Unwilling to talk to potential competitor • Travel and long distance costs
Suppliers, distributors, agents and brokers	• Inside knowledge of industry • Knowledge of players, trends and quirks	• Could favor existing dealers • May get jaded comments with narrow viewpoint
Retired from the industry	• No axe to grind • Objective and open • Knowledge of industry, its. pitfalls and who succeeds	• Information may be dated • May be jaded and tired of business concerns

	Pros	Cons
Mentor (experienced business person outside the industry	• Objective • Can analyze situation and be brutally frank • Can assess your own capacity, resources and managerial ability • Can advise on strategy & major decisions	• Lacks specific industry knowledge • Not always available on a no-fee basis

APPENDIX J

Sample Income Statement

Doe Widgets Ltd.
Forecasted Income Statement (Monthly 20X1)

	January	February	March	April	May	June	July	August	September	October	November	December	
Sales													
Wholesale	$ 8,000	$ 9,000	$ 12,000	$ 12,000	$ 12,000	$ 14,000	$ 18,000	$ 18,000	$ 16,000	$ 14,000	$ 12,000	$ 12,000	$ 157,000
Retail	$ 16,000	$ 16,000	$ 16,000	$ 18,000	$ 20,000	$ 20,000	$ 20,000	$ 16,000	$ 18,000	$ 18,000	$ 20,000	$ 18,000	$ 216,000
Total Sales	**$24,000**	**$25,000**	**$28,000**	**$30,000**	**$32,000**	**$34,000**	**$38,000**	**$ 34,000**	**$ 34,000**	**$ 32,000**	**$ 32,000**	**$30,000**	**$ 373,000**
Cost of Goods													
Variable Labour	$ 1,000	$ 1,000	$ 2,000	$ 2,000	$ 2,000	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,100	$ 2,100	$ 2,100	$ 25,500
Cost of Materials	$ 14,400	$ 14,800	$ 16,000	$ 17,400	$ 18,800	$ 19,600	$ 21,200	$ 18,400	$ 19,000	$ 18,200	$ 18,800	$ 17,400	$ 214,000
Total Cost of Goods	$ 15,400	$ 15,800	$ 18,000	$ 19,400	$ 20,800	$ 22,400	$ 24,000	$ 21,200	$ 21,800	$ 20,300	$ 20,900	$ 19,500	$ 239,500
Gross Margin	**$ 8,600**	**$ 9,200**	**$ 10,000**	**$ 10,600**	**$ 11,200**	**$ 11,600**	**$ 14,000**	**$ 12,800**	**$ 12,200**	**$ 11,700**	**$ 11,100**	**$ 10,500**	**$ 133,500**
Operating Expenses													
Power	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Salaries	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 43,200
EI, Cpp other Benefits	$ 460	$ 460	$ 560	$ 560	$ 560	$ 640	$ 640	$ 640	$ 640	$ 570	$ 570	$ 570	$ 6,870
Advertising	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Office Supplies	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 600
Insurance	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 210	$ 2,520
Maintenance	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,200
Legal & Audit	$ 1,000	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 3,420
Delivery	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 3,360
Licencing	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 30	$ 360
Packaging	$ 140	$ 290	$ 320	$ 320	$ 340	$ 360	$ 420	$ 380	$ 360	$ 340	$ 370	$ 360	$ 4,000
Telephone	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 960
Misc	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,200
Total Operating Expenses	**$ 6,450**	**$ 5,820**	**$ 5,950**	**$ 5,950**	**$ 5,970**	**$ 6,070**	**$ 6,130**	**$ 6,090**	**$ 6,070**	**$ 5,980**	**$ 6,010**	**$ 6,000**	**$ 72,490**
Depreciation												$ 19,050	$ 19,050
Interest Expense												$ 950	$ 950
Total Expenses	$ 21,850	$ 21,620	$ 23,950	$ 25,350	$ 26,770	$ 28,470	$ 30,130	$ 27,290	$ 27,870	$ 26,280	$ 26,910	$ 45,500	$ 331,990
Net profit / Loss	**$ 2,150**	**$ 3,380**	**$ 4,050**	**$ 4,650**	**$ 5,230**	**$ 5,530**	**$ 7,870**	**$ 6,710**	**$ 6,130**	**$ 5,720**	**$ 5,090**	**-$15,500**	**$ 41,010**
Provision for Tax													$ 8,202
Retained Earnings													$ 32,808

APPENDIX K

Sample Cash FLow Statement

Doe Widgets Ltd.
Forecasted Cash Flow Statement (Monthly 20X1)

	January	February	March	April	May	June	July	August	September	October	November	December	
Receipts													
Cash Sales	$ 16,000	$ 16,000	$ 16,000	$ 18,000	$ 20,000	$ 20,000	$ 20,000	$ 16,000	$ 18,000	$ 18,000	$ 20,000	$ 18,000	$ 216,000
Accounts Receivable[1]	$ 7,000	$ 8,000	$ 9,000	$ 12,000	$ 12,000	$ 12,000	$ 14,000	$ 18,000	$ 18,000	$ 16,000	$ 14,000	$ 12,000	$ 152,000
Loan Proceeds													$ -
Investment													$ -
Other													$ -
Total Receipts	$ 23,000	$ 24,000	$ 25,000	$ 30,000	$ 32,000	$ 32,000	$ 34,000	$ 34,000	$ 36,000	$ 34,000	$ 34,000	$ 30,000	$ 368,000
Disbursements													
Accounts Payable[2]	$ 18,000	$ 14,400	$ 14,800	$ 16,000	$ 17,400	$ 18,800	$ 19,600	$ 21,200	$ 18,400	$ 19,000	$ 18,200	$ 18,800	$ 214,600
Variable Labour	$ 1,000	$ 1,000	$ 2,000	$ 2,000	$ 2,000	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,100	$ 2,100	$ 2,100	$ 25,500
Power	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Variable Labour	$ 1,000	$ 1,000	$ 2,000	$ 2,000	$ 2,000	$ 2,800	$ 2,800	$ 2,800	$ 2,800	$ 2,100	$ 2,100	$ 2,100	$ 25,500
Power	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 200	$ 2,400
Salaries	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 43,200
EI, Cpp other Benefits[3]	$ 400	$ 460	$ 460	$ 560	$ 560	$ 560	$ 640	$ 640	$ 640	$ 640	$ 570	$ 570	$ 6,870
Advertising		$ 1,000			$ 200	$ 600	$ 400	$ 200					$ 2,400
Office Supplies	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 50	$ 600
Insurance	$ 2,520												$ 2,520
Maintenance	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,200
Legal & Audit	$ 1,000	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 220	$ 3,420
Delivery	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 280	$ 3,360
Licencing	$ 360												$ 360
Packaging		$ 1,000			$ 1,000			$ 1,000			$ 1,000		$ 4,000
Telephone	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 80	$ 960
Misc	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 100	$ 1,200
Loan Repayment[4]	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 500	$ 6,000
Line of Credit Repayment[5]				$ 2,000	$ 2,000	$ 2,000	$ 2,000						$ 8,000
Total Disbursements	$ 28,190	$ 22,990	$ 23,390	$ 25,690	$ 28,290	$ 29,890	$ 30,570	$ 30,970	$ 26,970	$ 26,870	$ 27,000	$ 26,600	$ 326,420
Starting Cash Balance	$ 5,900	$ 710	$ 1,720	$ 4,330	$ 8,640	$ 12,350	$ 14,460	$ 17,890	$ 20,920	$ 29,950	$ 37,080	$ 44,080	$ 198,030
Plus Receipts	$ 23,000	$ 24,000	$ 25,000	$ 30,000	$ 32,000	$ 32,000	$ 34,000	$ 34,000	$ 36,000	$ 34,000	$ 34,000	$ 30,000	$ 368,000
Less Disbursements	$ 28,190	$ 22,990	$ 22,390	$ 25,690	$ 28,290	$ 29,890	$ 30,570	$ 30,970	$ 26,970	$ 26,870	$ 27,000	$ 26,600	$ 326,420
Cash Flow Calculation	$ 710	$ 1,720	$ 4,330	$ 8,640	$ 12,350	$ 14,460	$ 17,890	$ 20,920	$ 29,950	$ 37,080	$ 44,080	$ 47,480	$ 239,610

1 Wholesale sales are paid for 30 days after they are sold.
2 Suppliers are providing 30 day terms.
3 Withholdings are paid on the 15th of the month following the expense.
4 The Term loan is repaid at $500 per month. In the forecast year, this represents a total of $950 in interest and $5050 in principal repayment
5 The $8,000 line of credit is retired in $2,000 payments

APPENDIX L

Sample Forecasted Balance Sheet

Doe Widgets Ltd.

Forecasted Balance Sheet (Monthly 20X1)

	31 Dec 20X131	Dec 20X2
Assets		
Current Assets		
Cash	$ 5,900	$ 47,480
Accounts Receivable	$ 7,000	$ 12,000
Inventory	$ 15,000	$ 15,000
Total Current	*$ 27,900*	*$ 74,480*
Capital Assets		
Plant Equipment & Furnishings	$ 45,000	$ 36,000
Computer System	$ 11,000	$ 7,700
Vehicles	$ 22,500	$ 15,750
Total Capital Assets	$ 78,500	$ 59,450
Total Assets	**$ 106,400**	**$ 133,930**
Liabilities		
Current Liabilities		
Line of Credit	$ 8,000	$ –
Accounts Payable	$ 18,000	$ 17,400
Expenses Payable (Withholdings)	$ 400	$ 570
Income Taxes Payable	$ –	$ 8,202
Total Current Liabilities	*$ 26,400*	*$ 26,172*
Non-Current Liabilities		
Term Loan	$ 11,500	$ 6,450
Shareholders Loan	$ 10,000	$ 10,000
Total Non-Current Liabilities	$ 21,500	$ 16,450
Total Liabilities	**$ 47,900**	**$ 42,622**
Owners Equity		
Retained Earnings	$ 58,500	$ 91,308
Total Liabilities & Owners Equity	**$ 106,400**	**$ 133,930**

APPENDIX M
Registering a Company Name for Use in British Columbia

If your business has a name other than your own, even if you've just added "and daughter" or "and associates" to your name, you need to file a name declaration. This ensures that those who do business with a sole proprietorship can find out the name of the person they're actually dealing with.

When registering a business, you must first have a name approved by the Registrar of Companies. This is done using a name approval form which can be submitted to the Registrar of Companies, Government Agents' office, Canada/BC Business Service Centre, or OneStop Business Registration Office. The name must meet the criteria explained on the form and not be in conflict with a B.C. incorporated company. The fee for submitting the form is $30.00. Once the name has been approved, it is reserved for 56 days, the second step must be completed within these 56 days.

The second step for Sole Proprietorship/General Partnership is:

Submit a declaration for Registration of General partnership or Sole Proprietorship form. This form can be submitted at the same places as the Name Approval, or filled out using a One-Stop Business Registration Computer. The fee for declaration of proprietorship/partnership is $30.00.

The second step for setting up a Corporation is:

Submit completed incorporation documents directly to the Registrar of Companies in Victoria. These documents can either be drawn up by a lawyer or purchased in a standardized kit. Fees for incorproating a company are $300.00 with an optional $25.00 fee for a certified copy of memorandum and articles.

To find the OneStop Business Registration Service location nearest you, see page xx.

You may also mail a list of three or more names. in order of preference, to the Registrar of Companies along with $30.00 for each 3 names you want searched. You will then receive written notice that a name has been previously used or is available. At that point you pay $30.00 to register the business name. You can apply in writing for name searches to:

Registrar of Companies
946 Blanshard Street
Victoria, BC V8W 3E6
http//www.fin.gov.bc.ca/registries/corppg/default.htm

Attention: Name Reservation
Telephone: (250) 356-289
Fax: (250) 356-1428

You can also go to any government agent office in BC or to the Canada/British Columbia Business Service Centre to have the information sent to Victoria for you. Cheques are payable to the Minister of Finance and Corporate Relations.

Name approval can also be done at:
Keyinfo BC
www.keyinfobc.com
(private company)

APPENDIX N

Assistance Directory

Use the following list to begin creating your own Assistance Directory. This requires you to identify the individuals in your community who can provide the information and assistance that will be helpful to you in starting your home-based business.

Local Community Futures Development Corporation Business Officer

_____
NAME TELEPHONE

Registrar of business names

_____
NAME TELEPHONE

Librarian of the local library

_____
NAME TELEPHONE

Manager of nearest Chamber of Commerce

_____
NAME TELEPHONE

Person in charge of building permits

_____
NAME TELEPHONE

Person in charge of building inspections

_____
NAME TELEPHONE

Economic Development Officer

_____
NAME TELEPHONE

Managers of at least two local banks

_____
NAME TELEPHONE

_____
NAME TELEPHONE

Small business instructor at the nearest college or university

_____
NAME TELEPHONE